

Evaluation, Cover Sheet and Decision Form

Project:	Southern Steel Windows – Engineering Equipment		FOR: Approval
Applicant:	Southern Steel Windows Ltd		PDU ID: Commercial Information
Application type:	PGF	(A) Total Project Value:	\$ Commercial Informa
Funding type:	Grant	(B) PGF Funding Sought:	\$ Commercial Inform
Entity Type:	Company	(C) PGF Funding Recommended:	\$250,000
Region:	Southland	(D) Applicant Contribution:	\$ Commercial Informa (Cash)
Tier:	2 - Sectors	(D/A) Co-contribution Rate:	Comm %
Sector:	Manufacturing/ Engineering		
Application summary:	<p>Southern Steel Windows Ltd is a New Zealand owned and operated company based in Invercargill. It specialises in the design, manufacture, and installation of architectural and commercial steel joinery, including fire-rated windows, fire doors, security doors and windows.</p> <p>The applicant seeks financial support for four pieces of equipment to help bring more of the process of establishing its products in-house. The four pieces of equipment required are:</p> <ol style="list-style-type: none"> 1. Welding Table 2. Glass-cutter 3. Computer Numerical Control (CNC) Profile Steel machining centre 4. Computer Numerical Control (CNC) 3-Axis milling machine 		

It is recommended that SROs:

Agree to approve up to \$250,000 as a grant from the PGF towards the purchase of four specific pieces of engineering equipment because:

- it aligns with the PGF objectives in regard to uplift in productivity, enhanced economic opportunities, more highly-skilled jobs/apprenticeships Comm FTE) and resilient communities
- it aligns with the Southland and Otago Regional Engineering Collective objectives to build the capability and capacity of Southland and Otago manufacturing and engineering firms

Subject to:

- The applicant maintaining alignment to the Southland and Otago Regional Engineering Collective (SOREC) objectives evidenced by the continued reporting to the Ministry on its outcomes.
- The applicant providing a written statement that assures that the new equipment will not adversely affect other firms
- Satisfactory financial analysis.

Note this funding request is part of the agreed PGF allocation for the Southland and Otago Regional Engineering Collective, in which 8 projects have already been approved by SROs for grant funding.

Section A: Triage – Assessment against PGF eligibility criteria**Is the project:**

➤ an illegal activity?	No
➤ located in the three main metropolitan areas?	No
➤ seeking investment in large scale infrastructure of social assets?	No
➤ three waters	No

Application description

The applicant seeks financial support for four pieces of equipment to help bring more of the process in establishing its fire-rated windows, fire doors, and security doors in-house. The four pieces of equipment the applicant require include:

Item	Cost (excluding GST)
Welding Table	Commercial Information
Glass-cutter	Commercial Information
CNC profile Steel machining centre	Commercial Information
CNC 3-axis milling machine	Commercial Information
Total	\$ Commercial Inform (of which PDU recommends funding Comm % - \$ Commercial Inform)

PGF funding will enable the applicant to increase its productivity and meet the customer demands in a timelier manner. The equipment sought not only contributes to the growth of the applicant, but the Southland Engineering sector as a whole as well as those industries the applicant supports, services, and maintains.

Detail of the equipment and the benefits to the company are as follows:

1. Welding Table

Essentially an adjustable jig (a tool used to control the location/motion of parts or other tools) for steel windows. It will increase outputs by ensuring windows are straight, square and level. This will make the manufacturing process more streamlined and staff won't be pulled away every time someone works on a new frame.

2. Glass-cutter

This is a machine that can cut thick fire rated glass. Having this equipment will decrease lead times and remove reliance on overseas and Auckland suppliers.

3. Computer Numerical Control (CNC) Profile Steel machining centre

This machine will cut the steel profile to the correct length and mitre the corners. It can then drill, tap and machine out any shape holes increasing production by an estimated 30-50%. Risk of errors would be decreased as work would be done as per the drawings and input data.

4. Computer Numerical Control (CNC) 3-axis milling machine

This machine shapes metals to very fine tolerances to make fully finished items that can be used as finished parts.

This machine would decrease lead times while increasing quality of work. Most door hardware is manufactured in China at a high cost. On complicated joinery it could increase efficiency by 10% as well as make the workflow more consistent.

Co-Funding Table

Co-Funder	Pledged/Confirmed/Cash/In-Kind	Amount
Southern Steel Windows Limited	Cash	\$ Commercial Inform
Total		\$ Commercial Informa

Southland and Otago Regional Engineering Collective

The Engineering and Manufacturing sector has been identified by the RED 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 Commercial Inform 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 to high skilled employees and apprentices.

Please note that in August SRO's approved Otago projects as part of the Engineering package and this coversheet should be read alongside the other related SOREC projects from Southland.

Overseas Investment Office

➤ Is the application being made by a non-New Zealand based legal entity? (Foreign investment laws may apply and the Overseas Investment Office consulted) No

Section B: Operational Assessment Criteria (Complete for EoIs and Applications)

(Rate and comment – 1= poor, 5 = very good - Provide the number for this project, not subsequent phases)

Fund and government outcomes

Please highlight number below

Would the project:

➤ create permanent jobs?	The applicant currently has Commercial Inform people working for it in Invercargill. Funding would enable Commercial Inform new sustainable jobs. Jobs created include highly skilled to apprentice level.	N/A 1 2 3 4 5
➤ deliver community benefits?	Indirectly, the creation of new sustainable roles will have flow on effects to the local community.	N/A 1 2 3 4 5
➤ increase utilisation of and returns on	Not evident.	N/A 1 2 3 4 5

Maori assets?		
➤ enhance the sustainability of natural assets?	Not evident.	N/A 1 2 3 4 5
➤ mitigate climate change effects, or assist with the lowering of emissions?	Not evident.	N/A 1 2 3 4 5
Additionality		
Would the project:		
➤ add value by building on what is already there, without duplicating effort?	Engineering and Manufacturing is a strong sector in Southland which has been constrained due to the inability for companies to meet the demands through the lack of efficient equipment.	N/A 1 2 3 4 5
➤ be a catalyst for productivity potential in the region?	With the purchase of the new equipment, the applicant will be able to increase productivity as it will have the equipment it needs to accelerate the production and output required to meet the demands of its customers.	N/A 1 2 3 4 5
Connected to regional stakeholders and frameworks		
Does the project:		
➤ align with regional priorities, such as frameworks, or regional plans?	The applicant aligns with the objectives of the Southland and Otago Regional Engineering Collective (SOREC). SOREC is the incubator for building the capability and capacity of the Southland and Otago manufacturing engineering Firms. SOREC will grow the region by increasing collaboration to successfully compete for new work, adopt new technologies or methodologies, and increase the calibre and number of regional apprentices.	N/A 1 2 3 4 5
➤ have the support of local governance groups (councils, iwi and hapu)?	This project broadly aligns with Southland's goal of '10,000 more people by 2025' in their Southland Regional Development Strategy. The project fits with several of their objectives around developing innovative business environments, removing obstacles to doing business in Southland, and developing new industries in Southland.	N/A 1 2 3 4 5
Governance, risk and project execution		
Does the application show:		

<ul style="list-style-type: none"> ➤ robust project management and governance systems? 	<p>Some risk around business management (see risks section). The applicant will oversee the installation of the equipment and recruitment of the relevant staff to join the company. The two Directors have overseen the successful procurement of new pieces of equipment previously. Risks are identified and mitigated appropriately.</p>	<p>N/A 1 2 ■ 4 5</p>
<ul style="list-style-type: none"> ➤ plans for future ownership and operational management? 	<p>Existing arrangements.</p>	<p>N/A 1 2 ■ 4 5</p>
<ul style="list-style-type: none"> ➤ how the project will be delivered and managed? 	<p>Plans and personnel are in place to deliver the project.</p>	<p>N/A 1 2 ■ 4 5</p>

Complete assessment and undertake due diligence?

Yes. Complete the Evaluation/ Recommendation form and submit DD request form.
 No. Complete the front page of this form, recommending the application be declined.

Note: Due Diligence is currently being undertaken, any funding approved will be subject to satisfactory due diligence.

Section C: Risk Management Evaluation			
Does this application demonstrate consideration of the following risks?			
Type of risk	Risk description	Mitigations	Risk Rating
Duplication	PGF funding may lead to the applicant purchasing equipment that competes directly with another engineering firm.	The PDU has sought assurance the new equipment will not adversely affect other firms, at times checking with those other firms. We will also seek a written statement from the applicant where this confirmation wasn't explicit in the application.	Low
Resource	The ability for the company	While still in its infancy,	Medium

	to find employees to fill the roles may delay the productivity potential of the applicant.	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.	
Business Management	Privacy of natural persons [Redacted]	Privacy of natural persons [Redacted]	Low
Procurement	The welding table needs to be bought second hand, the applicant is suggesting E-bay as an option which is a possible risk to quality.	Any contract payment schedule or milestones will need to take this into account and allow for procurement time for appropriate machinery.	Low

Section D. Funding and financial analysis		Please highlight number below
Does the application show:		
➤ How strong is the financial position of the applicant organisation?	Commercial Information [Redacted] Further information can be found in the cover briefing.	N/A 1 2 3 4 5
➤ How does the scale of the project compare to their overall business?	The project is in line with the company's standard business.	N/A 1 2 3 4 5
➤ Why is Crown funding being	The PDU approached the applicant as part of the wider Engineering/Manufacturing priority package. It is unlikely that the	N/A 1 2 3 4 5

sought rather than commercially-available funding?	applicant would reprioritise funds or seek bank support for these items, rather waiting 1-2 years to fund internally. This is partly due to their experience during the takeover of the business and their current strategy to pay out the widow.	
➤ What does the independent financial analysis/ business case indicate?	N/A	N/A 1 2 3 4 5
➤ Is the funding model requested appropriate? Is the PDU recommending a different model?	Due to the level of funding sought (under \$ ^{Commercial Inform}) the Head of PDU agreed that a grant (with ^{Comm} % co-contribution) would be the most appropriate funding model for this Engineering/ Manufacturing package.	N/A 1 2 3 4 5
➤ Has the applicant provided evidence of market pull for this project?	Funding would positively impact on the applicant's ability to meet customer demand.	N/A 1 2 3 4 5
➤ Has the applicant provided evidence that their supply chain is secure?	As above	N/A 1 2 3 4 5
Summary of funding and financial analysis:	If funding is approved for this equipment it is clear that it would impact significantly on efficiencies, job opportunities and would accelerate production to meet customer demand. Without PGF support it is unlikely that the applicant will choose to fund these items in the near future, therefore immediate benefits would not be realised.	N/A 1 2 3 4 5

Funding arrangements

Suggest a grant of up to \$250,000 from the PGF fund towards the purchase of four specific pieces of engineering equipment.

Proposed deliverables include:

#	Deliverable	Due Date	Associated Payment (ex-GST)
1	Funding Agreement executed and any pre-conditions are met or waived	Commercial Information	
2	Welding table commissioning	Commercial Information	\$ Commercial Info
3	Quarterly report 1 of 4 submitted	Commercial Information	
4	Equipment Piece Two [3-Axis Milling machine] installed and operational	Commercial Information	\$ Commercial Info

5	Equipment Piece Three [Glass Cutter] installed and operational	Commercial Information	Commercial Information
6	Equipment Piece Four [CNC Profile steel machine center] installed and operational		
7	Quarterly report 2 of 4 submitted		
8	Quarterly report 3 of 4 submitted		
9	Quarterly report 4 of 4 submitted		
10	Final Report submitted		
		Total	\$252,500

Consultation from partner agencies undertaken or implications	
<p>MFAT note that “Provided:</p> <ul style="list-style-type: none"> a. the funding is not contingent on export performance or the use of domestic over imported inputs; and b. firms receiving PGF funding sell to other NZ firms at normal commercial prices. <p>Then MFAT has no material concerns from an international obligations perspective.”</p>	
Summary statement of Peer Review undertaken	
<p>The following Peer Review has taken place in connection with this application:</p> <p>All applications are discussed between the Regions Team and Investment Team during the assessment process and prior to submission to SROs / IAP.</p> <p>Consultation with the relevant partner agencies has occurred allowing them to provide any relevant technical advice with any feedback included verbatim within this application form.</p> <p>In the development of this form:</p> <ul style="list-style-type: none"> i. A peer review by an Investment Director has taken place and included the following to the satisfaction of the peer reviewer: <ul style="list-style-type: none"> a. An evaluation against the PGF criteria; b. Financial analysis; c. A risk assessment, highlighting any relevant or key risks; d. Conflicts of interest have been noted and accepted and the peer reviewer concurs with the recommendation proposed. ii. The Head of Investment has reviewed this recommendation. iii. This application has been reviewed by the PDU SLT. 	
Peer Review has been completed	Yes

Supporting proposal:	Yes
Appendices:	Yes – application is attached
Author of paper:	HW, Senior Investment Analyst, PDU Investment Team PS, Investment Director, PDU Investment Team