

2.04 Ruahuihui Trust – Ngapaeruru 1B2B

Evaluation, Cover Sheet and Decision Form

Project:	Ruahuihui Trust – Ngapaeruru 1B2B		FOR: Approval
Applicant:	Ruahuihui Trust		Pipedrive ID: Commercial
Application type:	WM	(A) Total Project Value:	\$ Commercial Informat
Funding type:	Grant	(B) PGF Funding Sought:	\$210,000
Entity Type:	Maori Land Trust	(C) PGF Funding Recommended:	\$210,000
Region:	Manawatu-Wanganui	(D) Applicant Contribution:	Comme
Tier:	2 - Sectors	(D/A) Co-contribution Rate:	Com %
Sector:	Agriculture / Horticulture		
Application summary:	<p>The Ruahuihui Trust is seeking funding to support the future enhancement of the farm on Ngapaeruru 1B2B, a land block Commercial Information. The project is for remediation work to the farm, including fencing, fertiliser, water troughs and cattle yard repair.</p> <p>Commercial Information</p> <p>Commercial Information</p> <p>Commercial Information</p> <p>The PGF application is being treated as a separate project, which would serve to upgrade the farm ahead of any developments that may emerge after the feasibility has been done.</p> <p>Commercial Information</p> <p><i>[Please see full project description in the Application Description Section]</i></p>		
The PDU recommends that the SROs:			
Agree to approve a grant of up to \$210,000 from the PGF towards Ruahuihui Trust – Ngapaeruru 1B2B			
1. because:			
a) This project will support Māori economic development in a historically disadvantaged area.			
b) This project meets Whenua Māori criteria because:			
o The project will develop currently underproductive Māori Freehold Land, and assist with			

- developing an economic scale of production.
- o The beneficiaries of this investment are the families ^{Commercial Information} [REDACTED], who are the beneficiaries of the Ruahuihui Ahu Whenua Trust.
2. subject to:
- a) Full due diligence review being completed including the ownership structure of Ngapaeruru 1B2B.
 - b) A staged drawdown deliverable schedule being agreed to the satisfaction of the PDU.
 - c) Water consent or a plan for dealing with the water requirements being confirmed to the satisfaction of the PDU.
 - d) Demonstration of a work plan to the satisfaction of the PDU.
 - e) Provision of the Whole Farm Plan ^{Commercial Information} [REDACTED].
3. Note:
- a) The land is classified Maori Freehold.
 - b) MPI supports the project. ^{Commercial Information} [REDACTED]. Operations of a similar scale average \$ ^{Commercial Information} [REDACTED] per hectare. ^{Commercial Information} [REDACTED]
 - c) Trustees are aware of the need to follow up capital fertiliser applications with ongoing maintenance fertiliser. This is supported by cash flows ^{Commercial Information} [REDACTED] showing fertiliser budgeted at around \$ ^{Commercial Information} [REDACTED] stock unit ^{Commercial Information} [REDACTED]
 - d) Trustees have sought outside expertise and work closely with advisor ^{Privacy of natural persons} [REDACTED] and their Accountant, which MPI confirm is good farming practice.
 - e) TPK is supportive of the project. ^{Commercial Information} [REDACTED]

Due diligence on applicant – Summary of findings	Completed
Due diligence has been completed and nothing of note has been found.	
Conflicts of Interest	No
No conflicts have been identified by the applicant or during the PDU's Due Diligence process	
Terms and Conditions	Yes
The applicant has correctly completed the T&C's and signed the application	

Application description

Background

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Commercial Information

Proposal

The Ruahuihui Trust is seeking funding to support the future enhancement of the farm on Ngapaeruru 1B2B, a land block of ^{Commercial Inform}. The project is for remediation work to the farm, including fencing, fertiliser, water troughs and cattle yard repair.

The farm currently has a grazing regime, while the applicant continues to work towards purchasing their own stock. The proposed breakdown of what the funding will go towards is as follows:

Description	Funding Sought
3000 meters of fencing, to better utilise the land for grazing	\$ ^{Commercial Inform}
Lime/ Fertiliser for an estimated ^{Commercial Inform} hectares	\$ ^{Commercial Inform}
Water - Troughs for the new paddocks and around 2km of new water piping.	\$ ^{Commercial Inform}
Stock management infrastructure including; Sheepyard complex - \$ ^{Commercial Inform} Portable yards back of farm – \$ ^{Commercial Inform} Cattle yards - \$ ^{Commercial Inform}	\$ ^{Commercial Inform}
Renewal of Dam infrastructure including; Sediment trap - \$ ^{Commercial In} Well liners - \$ ^{Commercial In} 9 Dams - \$ ^{Commercial In} Repair wall of spring reservoirs \$ ^{Commercial Inf}	\$ ^{Commercial Inform}
Tracks - upgrade for better access to back flats, 3 culverts required	\$ ^{Commercial Inform}

This project fulfils the principles of Whenua Maori by lifting the productivity potential of Maori land. A capital injection of funds will allow the Trust to accelerate development to help achieve the potential of the farm. The strategy is considered, ^{Commercial Inform} Free and frank opinions ^{Commercial Inform}, to be appropriate to the business and follows a well- planned route consistent with many developing farm businesses in an effort to achieve long term sustainability.

In demonstration of how the project does not increase negative impacts on water quality, the applicant is intending to undertake work on the 3 culverts needed. Troughs for the new paddocks and around 300m of new water piping. Vital dams on site will also need cleaning out as part of the project.

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Project Ownership (Structure and Key Personnel)

The management team consists of;

- Privacy of natural persons
- Privacy of natural persons
- Privacy of natural persons
- Privacy of natural persons
- Privacy of natural persons
- Privacy of natural persons

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**

Does the Application have a Te Ara Mahi (TAM) component? **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?	There is no evidence that this project will create permanent jobs, although the applicant states that all the diversification options they are looking at, enhance their ability to employ more of their Whanau.	N/A 1 2 3 4 5
➤ deliver community benefits?	Commercial Information	N/A 1 2 3 4 5
➤ increase utilisation of and returns on Maori assets?	Improvements to the infrastructure and the Maori freehold land will likely increase economic outputs and have the potential to support future development opportunities.	N/A 1 2 3 4 5
➤ enhance the sustainability of natural assets?	The Trust intends to develop the farm Commercial Information	N/A 1 2 3 4 5

<ul style="list-style-type: none"> ➤ mitigate climate change effects, or assist with the lowering of emissions? 	Not considered in the application.	N/A 1 2 3 4 5
Additionality		
Would the project:		
<ul style="list-style-type: none"> ➤ add value by building on what is already there, without duplicating effort? 	<p>This project represents remedial land work that may lead to further development.</p> <p>Commercial Information</p>	N/A 1 2 3 4 5
<ul style="list-style-type: none"> ➤ be a catalyst for productivity potential in the region? 	This has not been substantiated and is unlikely to be markedly different than other farms of this type	N/A 1 2 3 4 5
Connected to regional stakeholders and frameworks		
Does the project:		
<ul style="list-style-type: none"> ➤ align with regional priorities, such as frameworks, or regional plans? 	<p>The project is aligned with the Tararua Regional Economic Development Strategy, which acknowledges the primary sector nature of the local economy and the role of local government in connecting businesses to opportunities for growth which lifts regional employment.</p> <p>This project is not directly noted as a priority project.</p>	N/A 1 2 3 4 5
<ul style="list-style-type: none"> ➤ have the support of local governance groups (councils, iwi and hapu)? 	There is no evidence of support from local governance groups.	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? 	This project represents a continuation of the applicant's core business. The governance and methodology of the project is appropriate for the scale of the project.	N/A 1 2 3 4 5
<ul style="list-style-type: none"> ➤ plans for future ownership and operational management? 	Commercial Information	N/A 1 2 3 4 5
<ul style="list-style-type: none"> ➤ how the project will be delivered and 	The work plan has been proposed to be completed early in the project. The PDU is recommending setting the completion of the	N/A 1 2 3 4 5

managed?	work plan to the satisfaction of the PDU as a condition of funding.		
Is the Project an EXPRESSION OF INTEREST?			No
Is the Project an APPLICATION?			Yes
Section C: Risk Management Evaluation			
Does this application demonstrate consideration of the following risks?			No
Type of risk	Risk description	Mitigations	Risk Rating
<input checked="" type="checkbox"/> Project risk	Is the project feasible? Can it be delivered on time, on budget and to specification?	While this project has a limited scope, a work plan or scoping report has not been provided. As such the cost of the works may be uncertain. To manage the project risk, drawdowns from the grant should be made against staged deliverables.	Low/ Medium /High
<input checked="" type="checkbox"/> Operational risk	Will the project or asset operate to specification, to budget, and achieve the forecast revenue?	A feasibility study will be carried out concurrently. The PDU acknowledges the risk of capex spend ahead of the delivery of the feasibility study.	Low/ Medium /High
<input checked="" type="checkbox"/> Force majeure/Insurance risk	Have insurable risks been considered? Is the level of insurance adequate?	Insurance has not been indicated or discussed.	Low/ Medium /High
<input checked="" type="checkbox"/> Macroeconomic risk	Has the impact of possible external economic changes been considered?	This has not been detailed by the applicant. Farming can carry considerable risk. This investment is not high risk in relation to the actual operation.	Low/ Medium /High
<i>If the answers to the first question is NO, or assessments of risk(s) are HIGH, discuss with an Investment Director.</i>			
Section D: Funding and financial analysis			Please highlight number below
Does the application show:			
➤ How strong is the financial position of the applicant	Commercial Information		N/A 1 2 3 4 5

organisation?	<p style="text-align: center;">Commercial Information</p> <p>It is expected that the investment will support the economic development of the land block. The value of the improvement has not been substantiated.</p>	
➤ How does the scale of the project compare to their overall business?	The work proposed is largely remedial; as such it does not represent a substantial scale up of activity.	N/A 1 2 3 4 5
➤ Why is Crown funding being sought rather than commercially-available funding?	Access to capital funding has, in the past, been a challenge for Māori landowners, as the special status of their land means commercial banks are less willing to lend to them. Because of this, the Government is in a unique position to help landowners make progress on their projects, and to work with commercial lenders to ensure sustainable investment.	N/A 1 2 3 4 5
➤ What does the independent financial analysis/ business case indicate?	No independent financial analysis/ business case has been provided. However, a site visit ^{Commercial Information} has given the PDU confidence in the viability of the operation noting that the: <i>'trustees have sought outside expertise and work closely with advisor ^{Commercial Information}, which is good farming practice'</i> .	N/A 1 2 3 4 5
➤ Is the funding model requested appropriate? Is the PDU recommending a different model?	The funding model requested (a grant of \$210,000 through Whenua Maori) is appropriate.	N/A 1 2 3 4 5
➤ Has the applicant provided evidence of market pull for this project?	<p>There is currently unmet demand for sheep and beef, which is the focus of this application.</p> <p>The feasibility for the niche aspects of their operation, ^{Commercial Information}</p>	N/A 1 2 3 4 5
➤ Has the applicant provided evidence that their supply chain is secure?	The applicant has provided stock forecasts for the coming several years. Furthermore the applicant is currently operating the farm, which lends credibility for them to continue to do so.	N/A 1 2 3 4 5
Summary of funding and financial analysis:	<p style="text-align: center;">Commercial Information</p> <p>The applicant is an appropriate receiver of a Whenua Maori Grant.</p>	N/A 1 2 3 4 5

Funding arrangements

During the application process, the applicant has increased the scope of the project as they have better understood the position of the PGF. As such the proposed deliverables are out of date.

A drawdown schedule will need to be confirmed in the contracting process. Payments should be made against invoices, to manage the cost of the project.

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revised amount was decided of \$210,000, which better captures the required investment to raise the financial performance of the farm to a realistic level.

Proposed Term Sheet Summary (noting full term sheet will be developed post decision)

Is the application a Grant or Loan?

Grant - Loan Details Table
deleted

Consultation from partner agencies undertaken or implications

This application was developed with the support of TPK.

- Commercial Information

MFAT's standard Whenua Māori risk statement is:

- MFAT notes there are legal risks that grants and concessionary loans for export-related projects, particularly in the agriculture sector, conflict with our international obligations, as per our advice to RED Ministers dated 2 December 2019.
- The risks, in terms of the potential adverse implications for New Zealand's agricultural export interests as a whole, should be weighed up against well-being benefits to Māori in structurally disadvantaged regions facilitated by the Whenua Māori programme.

MPI supports this application subject to:

- Providing the Whole Farm Plan Commercial Information, as this should clarify long term objectives and the base starting point.
- Quantifying the co-contribution of the applicant.
- Evidence of land ownership.
- Two or three quotes being provided for the costs detailed, as mentioned in the applicants proposal.

Is there any further information from the applicant?

Yes - Comments
below

- The PDU Requested and received a formal letter from trustees confirming the application and the funding requested.

Summary statement of Application Review undertaken

All of the following have occurred as part of this application assessment and recommendation:

- Discussions between the Regions Team and the Investment Team; and
- Consultation with relevant partner agencies allowing the provision of technical advice; their verbatim feedback is included above; and
- Full and comprehensive review by an Investment Director; and
- Review by the Head of Investment; and
- Review by the PDU Leadership Team.

These have occurred to the satisfaction of the reviewer and the reviewer concurs with the recommendation.

Review has been completed	Yes
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Supporting proposal:	Yes
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Appendices:	Yes – Applications and supporting letters are as annexes Withheld - Commercial Information
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Author of paper:	SC, Investment Analyst, NH, Investment Director, PDU Investment Team
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