

Quarterly Report to the Minister of Research, Science and Innovation

For the first quarter ending 30 September 2019

Introduction

This report provides an update of performance for the first quarter of the 2019/20 financial year. Each quarterly report contains:

- progress against the performance measures in our Statement of Performance Expectations 1 July 2019 – 30 June 2020
- financial performance
- update on significant projects
- significant risks or issues that may impact performance.

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Executive summary

Our highlights this quarter:

Gracefield Innovation Quarter (GIQ) Programme

- ✓ Established a new Governance Structure to ensure appropriate governance and management of the programme.
- ✓ Completed changes to the GIQ Programme team structure to incorporate the Facilities team and transition the leadership group.
- ✓ Recruited critical roles including Design Officer, Design Lead, Business Change Lead and Services Engineer.
- ✓ Delivered a successful event for over 100 Wellington businesses and stakeholders to celebrate World Entrepreneurs' Day.
- ✓ Rolled out training to 54 people across the organisation on the Managing Successful Programmes (MSP) framework and Prince2 project management methodology.
- ✓ Our Auckland-based teams successfully moved into Textile Centre on 29 July. Having our staff located at a single site is already providing opportunities for greater collaboration and an enhanced customer experience. We have retained lab space at Balfour Road to ensure existing projects can continue uninterrupted while the new Textile Centre labs are built and fitted out.

R&D Tax Incentive (RDTI)

- ✓ Continued collaborating with Inland Revenue on the detailed operational policy and design of the R&D Tax Incentive and recruiting the joint 'core team'. Recruited critical roles including Team Manager and seconded Programme Lead from Inland Revenue.
- ✓ Launched a new RDTI landing page concurrent with a digital campaign to drive increased awareness about the scheme.
- ✓ Created an Interagency Communications Group tasked with a comprehensive Education and Engagement Marcomms Plan and accompanying Stakeholder Engagement Plan to be rolled out from November go-live date.
- ✓ Presented/promoted RDTI at tax industry and various sector meetings, seminars, workshops and conferences, including Deloitte Tax Incentive Seminar and Southern SaaS (380 businesses).
- ✓ Sector Managers and Regional Business Partners consulted customers about transitioning to the RDTI.
- ✓ Created customer-facing staff training materials for rollout and workshoping from October ahead of go-live.

Digital Transformation Programme

- ✓ Received endorsement from the Callaghan Innovation board on the programme business case that will deliver our Digital Strategy.
- ✓ Progressed G Suite to CoreIT phase which is focused on the technical delivery including integration with our CRM and the full roll out of multi-factor authentication. In parallel, conducted workshops to highlight the new ways of working that G Suite will enable and understand any additional impacts.
- ✓ With Cert NZ reporting that phishing and credential harvesting was the second highest incident category reported during Q1, saw an improvement in the results of our monthly educational phishing campaigns with a reduction in our overall cyber security risk rating.

Research and Technical Services (RTS) Strategy

- ✓ RTS had two KiwiNet Awards finalists, one for MicroMaker and one for the secondment of one of our staff to Hi Aspect.
- ✓ Started implementing our new RTS Strategy, initially focusing on customer needs, market size and cost to serve with a view to determining options for a future commercial model for RTS.

Customer Journey

- ✓ Successfully completed the first fit-for-purpose Customer Journey project, providing the insights, framework and a model that allows us and our stakeholders to make customer-centric strategic decisions. The next step is to redesign services and processes that deliver to New Zealand's innovation community's needs.
- ✓ The project delivered 3 key outputs:
 - A model describing the innovator's journey from 'Idea' to 'Realising the full potential of the idea' and the stages involved.
 - A framework identifying the capabilities and capacities required to accelerate the idea to commercialisation and strategic growth.
 - Identified four types of innovators / innovative businesses in the New Zealand ecosystem, providing key attributes to identify them and their needs so they can reach potential and create impact quicker.

Scale-Up NZ

- ✓ Continued to promote Scale-Up NZ to ensure that our customers, partners and those in the wider innovation ecosystem engage with the platform.
- ✓ Started to use the Scale-Up NZ dataset for internal analysis and to help external stakeholders identify target customers for innovation support services (e.g. Kiwi Landing Pad, NZTE).

Operational priorities

- ✓ Moved our two Auckland-based teams into the Textile Centre in Parnell on 29 July 2019.
- ✓ Delivered Callaghan Innovation's annual two-day [Southern SaaS event](#) in Auckland in August.

Other key points to note

- ✓ Continued the RFP process to appoint new Technology Incubator partners and recruited additional members for the Start-up team. Alongside this, undertook an operational improvement process to improve the way that we manage and deliver Start-up programmes.
- ✓ Appointed a new head of Future Insights with global foresight experience, to build capability and lead the Future Insights team.
- ✓ After a successful pilot, rolled out the Student Grant Roadshow in Invercargill, Auckland, South Canterbury, Tauranga, Palmerston North, Wellington, Gisborne and Hawke's Bay. Together the events drew 500 attendees to hear about our Student Grants and the significant impact they provide to New Zealand companies undertaking R&D.

Our focus next quarter:

GIQ programme

- Prepare for the Gateway Review scheduled for 25-29 November.
- Complete the indicative business cases for Tranche 5.1 (projects for KiwiStar, MSL and Protoshop) and 5.2 (re-roofing and laboratory refurbishment from GlycoSyn), and the detailed business case for the Time Lab.
- Complete a joint venture mandate with Victoria University of Wellington to outline the long-term future potential partnership arrangements.
- Progress facilities projects including a fitout of a room to meet the requirements of the new Nuclear Magnetic Resonance Suite purchased, and the refurbishment of A Block.
- Continue recruitment for positions including Delivery Lead, GIQ Change Specialist, Revit Specialist, Geospatial Designer and Asset Manager.
- Continue fit-out of the new building for MSL, anticipated to run through to the end of February 2020.
- Transition the Programme Management Office for the GIQ Programme to an Enterprise Programme Management Office to provide centralised support to Callaghan Innovation's three transformation Programmes, Strategic Initiative Projects and core projects.

RDTI/Evolve Grants

- Continue driving awareness about the scheme through digital campaign and work with creative agency to implement Education and Engagement Marcomms Plan, including evolving landing page to an RDTI Hub with rich content.
- Implement Education and Engagement Stakeholder Engagement Plan, including presenting/promoting RDTI at tax industry and various sector meetings, seminars, workshops and conferences, including EY Canterbury Chamber of Commerce RDTI Breakfast (105 businesses) and All of Government Showcase Wellington (1000 attendees).
- Train Sector Managers and Regional Business Partners on details of RDTI in October ahead of one-to-one customer engagements from November.

Digital Transformation Programme

- Focus Digital Strategy on establishing the programme artefacts, governance and capabilities based on the Managing Successful Programmes methodology to successfully deliver the tranches and underpinning projects – keeping our people front and centre.
- Present the detailed business case for our Network Optimisation project to the Executive Leadership Team for approval, after which the roll out of our new wide area network (WAN) will begin, significantly increasing performance and resilience, and introducing a number of critical science capabilities.
- Following approval of the high level business, functional and technical requirements for our new, public cloud and API-based data architecture, prepare to go to market for registrations of interest to understand the range of capabilities of the vendors who can partner with us to deliver our new platform and capabilities.

Tātai Whetū Programme

- Rollout the Tātai Whetū (organisational culture, formerly Tikanga) Programme that together with the GIQ and Digital Transformation Programmes will enable Callaghan Innovation to transform into a future fit-for-purpose organisation able to respond to customer and government issues and opportunities.
- Begin journey of transforming the way we operate, to be a world class government innovation agency, with a focus on modernising our culture and processes. The name of the programme draws inspiration from our whakatauhā and references Sir Paul Callaghan's determined pursuit of excellence.

- As with our Digital Transformation and GIQ Programme, follow the Managing Successful Programmes (MSP) methodology to move through planning to successful delivery. Begin implementation in early 2020 to realise benefits: strong organisational alignment to our vision, mission and goals; strong organisational engagement and seamless processes which result in higher productivity and performance; and improved relationships, cooperation and communications with other government organisations.

RTS Strategy

- Fully develop the implementation project plan with each of 6 workstreams scoped and planned.
- Focus on the commercial value model in Q2 to understand the options for a future commercial model.

Customer Journey

- Develop the operating model for customer journey and how it will guide our services, engagement and ways of working.
- Develop a Callaghan Innovation 'triage' programme that identifies where customers are on their innovation journey, and connections/capability required to progress.
- Improve existing services that need to adapt to the new customer insights.

Health and Safety

- Continue strategic project focus on enhancing key elements of our health and safety (H&S) performance for the year ending 30 June 2020 to support our ambition to evaluate our health and safety journey in 2024, working in six key areas: H&S critical risks and management; PCBU policy and framework; our obligations as a manufacturer, importer, supplier, and designer; Directors' due diligence obligations; dangerous goods procurement; and wellbeing.

Our strategy

WE ARE NEW ZEALAND'S INNOVATION AGENCY

We **activate innovation** & **accelerate commercialisation** for a better New Zealand



SHOW THE FUTURE

Show New Zealand where technology is taking the world, how we must adapt, and how innovation drives success.



FUEL DEMAND

Be an exemplar for innovation and a voice for innovators. Showcase innovation as a pathway to success.



CONNECT THE ECOSYSTEM

Actively connect people, opportunities and networks. Collaborate to remove friction.



EMPOWER INNOVATORS

Be a partner – offer the right service and funding at the right time for greatest impact.

CallaghanInnovation
New Zealand's Innovation Agency

Strategic priorities for 2019/20

Our FY19/20 strategic priorities are focused on transformation
Building capability to be agile, flexible and fit for future



For 2019/20, Callaghan Innovation's Executive Leadership Team has evolved our three transformation programmes and targeted four strategic projects:

Transformation programmes

1. Digital Transformation Programme
2. Tātai Whetū (formerly Tikanga) Programme
3. Gracefield (GIQ) Programme

Strategic projects

4. Deliver the RTS Strategy
5. Embed our customer journey
6. Support successful RDTI rollout and wider funding review
7. Support our health and safety

Progress report

Show the future

Show New Zealand where technology is taking the world, how we must adapt, and how innovation drives success.

Our highlights this quarter:

- ✓ Partnered with the Latin America Centre of Asia-Pacific Excellence and Young Enterprise to support their Globalistas in Action weekend at Vic Uni from Aug 30-1 Sep. This event brought together young people who have been on LatAm Biz experiences working in Kiwi businesses in Latin America. Partner organisations have strong shared values including creating a culture of entrepreneurship from a young age, being more globally engaged and being more long-term and future-focused in business thinking.
- ✓ Continued our thought leadership work related to Show the Future, including Kirsten Edgar on plastics, bioplastics and sustainability R&D issues (featured on *Stuff*) and James Araci on environmental innovation, and the future of healthcare in New Zealand (both featured in the *NZ Herald*).
- ✓ Since 2018 our Integrated Bioactive Technologies (IBT) group has been supporting the emerging NZ Deer Milk Industry. Our R&D support role was recently highlighted on a segment of TVNZ's Hyundai Country Calendar.

Our focus for the next quarter:

- On 21-25 October, we are taking around 30 of New Zealand's leading manufacturers to Industrial Transformation ASIA-PACIFIC 2019 – the biggest Industry 4.0 trade conference in Singapore, where they'll gain a deeper understanding and obtain insights on industry 4.0 practices.
- Sponsorship/partnership support and leverage activity for the MWDI Māori Women's Business Awards in Rotorua on 19 October, and the Engineering NZ ENVI Awards in Auckland on 7 November.
- The Future Insights team is focused on an internal 'Key Global Shifts' foresights piece of work, which looks at not only the key global shifts, but also their implications for New Zealand and specifically for innovation in New Zealand. The time horizons being considered are 3-5 years, and the work feeds into our strategic planning.

Fuel demand

Be an exemplar for innovation and a voice for innovators. Showcase innovation as a pathway to success.

Our highlights this quarter:

- ✓ Supported several events over HealthTech Week, including delivering an innovation and investment workshop focused on upskilling and including a showcase of six emerging MedTech entities that have had little or no exposure to investor networks.

- ✓ Our August NZ Agritech mission in August to Ireland and the UK focused on Irish Ploughing, one of the largest agri shows in Europe, and UK Dairy Day. Despite uncertainty due to Brexit, there is opportunity to create strong links between the agritech ecosystems, and the UK's agencies, universities and accelerators are willing to help.
- ✓ More than 100 Lower North Island businesses and stakeholders celebrated World Entrepreneurs' Day at GIQ on 21 August. We partnered with the Wellington Chamber of Commerce for the second year, and this year included new partnerships with the Hutt Valley Chamber of Commerce and Technology Valley. Six of our customers spoke about what it means to them to have a world-class innovation quarter on their doorstep – a great opportunity for our RTS Group and the GIQ Programme to foster closer engagement with regional businesses.
- ✓ Our partnership with *The Spinoff* continues to be an effective tool, with the 'Business is Boring' podcast garnering 7,841 listens in July. The podcast helps to tell innovators' success stories and highlights our role in their success.
- ✓ Members of our RTS and Sectors teams hosted senior managers from several leading companies including Fletcher Building, Holmes Solutions, Todd Digital and F&B company Frucor at GIQ. The visits were well received and resulted in several joint follow-on activities. For example, Frucor brought five of their people from Sydney to meet some of our RTS team and learn more about our capabilities through a discovery day.
- ✓ The Robinson Institute of Victoria University of Wellington has subcontracted the Measurement Standards Laboratory (MSL) to co-supervise a PhD student on a project over 3 years to develop novel ways to use solar energy to purify drinking water. This collaboration provides access to specialised equipment and expertise that is not available at the university and gives the student industrially relevant experience.
- ✓ Our recent customer stories include:
 - A [video about Frenz](#), the free-range egg producer solving an environmental problem and boosting the nutritional content of its eggs by feeding mussel waste to chickens.
 - [Pushpay and Vesta](#) are two of New Zealand's best performing digital software companies and we spoke to their leaders about how New Zealand-based talent is delivering world-class products without the Silicon Valley overheads.
 - Natural skincare company [Snowberry](#) is entering global markets with backing from Proctor & Gamble. With significant investment in R&D and efficacy trials, it is set apart from competitors and is now focused on growing its biodiscovery operation and commercialising new-to-the-world skin bio actives.
- ✓ On 12 July along with MBIE we organised an event at Orbica in Christchurch where Hon Woods announced legislation around the refundability aspect of the RDTI and release of Inland Revenue's online eligibility tool, guidance, and enrolment opening.

Our focus for the next quarter:

- RTS is focusing on developing a new customer engagement process that targets higher level management in companies with the resources to invest in R&D. This supports larger contracts across a broader range of technologies and requires a more collaborative and multidisciplinary approach to problem solving.
- C-Prize 2019 launched on 23 September and entrant recruitment is our focus until early December. A series of regional/main centre entrant workshops are scheduled during October and November to recruit entries for this year's challenge, which is focused on environmental innovation. Finalists will be announced on 20 December.

Connect the ecosystem

Actively connect people, opportunities and networks. Collaborate to remove friction.

Our highlights this quarter:

- ✓ On 26 July, held our sold-out Māori economy event of the year, Matariki X, in Rotorua, featuring keynotes by recognisable and successful Māori entrepreneurs and a series of masterclasses on topics such as governance, investment, environmental innovation and social impact.
- ✓ Following the successful inaugural 2018 event, held Southern SaaS on 28-29 August in Auckland. This 2-day, sold-out event attracted 380 SaaS leaders and executives, connecting them with information and networks to help grow their businesses faster. Delegates rated their experience as exceptional with an overall +68 NPS score.
- ✓ On 9 September, along with Inland Revenue exhibited at the 2019 Smart Christchurch Innovation Expo to promote the RDTI.
- ✓ Steady growth of Scale-Up NZ, with 1,100 total profiles and nearly 2,500 registered users. Active marketing and promotion continues, and we are working through a significant backlog of our customers that will be added to the platform over the coming months. We are starting to use the Scale-Up NZ dataset for internal analysis and have supported external partners (including Kiwi Landing Pad and NZTE) with data to help them identify potential target businesses for their services.
- ✓ After a successful pilot, the Student Grant Roadshow rolled out in Invercargill, Auckland, South Canterbury, Tauranga, Palmerston North, Wellington, Gisborne and Hawkes Bay. Together the events drew 500 attendees across the country to hear about our Student Grants and the significant impact they provide to New Zealand companies undertaking R&D.
- ✓ Our latest NZ Agritech mission travelled to Salinas, California to visit largescale farming operations, meet key US investors and connectors, and attend the international Forbes AgTech Summit with more than 600 global agritech leaders. A common reaction from the businesses and researchers on the mission was surprise and shock at the scale of US horticulture operations, as well as the hard-hitting focus on cost and volume. The industry is suffering increasing labour shortage problems impacting this commodity model.

New Zealand is ahead of the pack when it comes to our expertise and products in robotics and automation, and there is great opportunity for our innovators to both win some of the significant agritech investment available in the US and align with large adopters. The challenge for our firms will be finding strategies and partnerships to deliver their autonomous and robotics solutions at a competitive price, and to scale production fast enough to meet demand.

- ✓ MSL is part of an EU consortium with industry and other national metrology institutes (NMIs) to establish traceable tools and methods to optically characterise a range of novel surfaces. These tools will provide industry with a more reliable way to define and control the properties of a surface for consumer products, automobiles and cosmetics. An MSL scientist has recently returned from working at the Czech Republic NMI on this project. This work also improves the capability of New Zealand to perform these types of measurements for industry.

- ✓ A fourth atomic clock was delivered to MSL for commissioning and calibration at GIQ. Once complete, the clock will be moved to a secure offsite location at the Defence Technology Agency in Devonport, where it will provide critical redundancy and disaster recovery benefits to New Zealand's Time Standard. MSL currently relies on three caesium atomic clocks at Gracefield to maintain NZ Standard Time.
- ✓ Our Integrated Bioactive Technologies Group sponsored and presented 'Cosmeceuticals — Adding value through scientific design and validation' at the 40th New Zealand Cosmetic Chemists Society Conference (NZSCC) in Queenstown in July. Many of the companies that attended were unaware of our technical expertise. Several opportunities have emerged, including to work with the University of Canterbury School of Product Design to deliver a formulation and characterisation-related workshop, and with Pharmaceutical Technologies (Auckland) on how we can contribute to their projects working with skin care products.

Our focus for the next quarter:

- As part of the RTS Strategy Implementation Project, analyse and model our cost to serve Established Customers to assess our capacity to serve our soon to be defined Frontier Customers. Currently we have one pricing tier, however we will explore the financial elasticity and implications to serve both customer segments which will determine an RTS Operating Model. We will deliver the first Discovery Workshop to identify and design the detailed scope of tasks for the 'Identify our target Customer' workstream.
- Complete a GIQ joint venture mandate with Victoria University of Wellington to outline the long-term future potential partnership arrangements.
- Host preparation and insight workshops in Auckland, Wellington and Christchurch to connect with the NZ SaaS community and highlight the benefit of attending SaaStr Annual 2020 in San Jose in March. These will be followed up with a final pre-delegation workshop in February.

Empower innovators

Be a partner – offer the right service and funding at the right time for greatest impact.

Our highlights this quarter:

- ✓ For the first time Callaghan Innovation was included in Colmar Brunton's Public Sector Reputation Index – ranked fourth out of 50 New Zealand organisations, in the company of highly respected Fire and Emergency NZ, Tourism NZ, Maritime NZ and DOC. Mentioned in our high ranking was leadership, along with our reputation as gauged by our customers and partners. We look forward to using the index to track and build on our performance right across all the key attributes measured.
- ✓ Our R&D Experience Grants fund businesses to employ student summer interns for R&D services. After the R&D Experience Grant is awarded, the employee must recruit students for their approved R&D projects. We identified an opportunity to assist these customers with finding students for their summer internships through a partnership with Summer of Tech, a not-for-profit that facilitates IT and digital tertiary students and graduates into summer internships through education and skills programmes, meet and greet events, and an online platform where students are profiled and where employers advertise their positions.

- ✓ With our support, husband and wife Kiwi founder team Huski won a prestigious Good Design Award in the Product Design category recognising outstanding design and innovation. They are exemplars of 'reaching out and asking for help', seeking out the right advice in design, supply chain, market intelligence and marketing.
- ✓ Using the all of government contracting vehicle, we procured the services of a creative agency and a digital marketing agency to promote the RDTI. In September, Shine and Uprise started executing the Education and Engagement Marcomms Plan, which includes digital advertising designed to drive visits to online RDTI information and to Inland Revenue's eligibility tool. The activity includes digital display advertising on key business websites within the Google Display Network (GDN), Gmail advertising, and search engine optimisation. This initiative will set the foundations for the larger agency-led digital awareness campaign. Progress was made on an RDTI interagency Stakeholder Engagement plan to work in concert with the Education and Engagement Marcomms Plan.
- ✓ We continued the Technology Incubator RFP process to appoint new partners. Alongside this, we undertook an operational improvement process to improve the way that we manage and deliver start-up programmes.

Our focus for the next quarter:

- Continue driving awareness about the RDTI through digital campaign and work with our agencies to implement Education and Engagement Marcomms Plan, including evolving landing page to an RDTI Hub with rich content.
- Implement Education and Engagement Stakeholder Engagement Plan, including presenting/promoting RDTI at tax industry and various sector meetings, seminars, workshops and conferences, including EY Canterbury Chamber of Commerce RDTI Breakfast (105 businesses) and All of Government Showcase Wellington (1000 attendees).
- Train Sector Managers and Regional Business Partners on details of RDTI in October ahead of one-to-one customer engagements from November.
- Complete the Technology Incubator RFP process and anticipate appointing new partners in mid-December 2019. Alongside this we will continue with the operational improvement process.

Build the critical foundations

Foundation initiatives to drive our ambition.

Our highlights this quarter:

- ✓ Progressed G Suite to CoreIT phase, which is focused on the technical delivery including integration with our CRM and the full roll out of multi-factor authentication. In parallel, conducted workshops to highlight the new ways of working that G Suite will enable and understand any additional impacts.
- ✓ Presented analysis of the leadership skills assessments and recommended interventions to the Executive Leadership Team. This will be further informed by the components of the burgeoning Tātai Whetū Programme.




- ✓ Supported leaders in improving understanding and application of setting and managing performance expectations with a refreshed Performance Agreement and Development Planning framework. This included targeted learning interventions to generate understanding and behavioural change in performance development across the organisation.

Our focus for the next quarter:

- Following approval of the high level business, functional and technical requirements for our new, public cloud and API-based data architecture, prepare to go to market for registrations of interest to understand the range of capabilities of the vendors who can partner with us to deliver our new platform and capabilities.
- Continue to focus on our Health and Safety Improvement Plan.





Performance measures

Callaghan Innovation Operations: Multi-category appropriation

Performance measure	2018/19 Performance standard	2019/20 Performance standard	Progress to end Q1 FY 19/20	Status
Total number of organisations working with Callaghan Innovation on services this financial year	2600	2600	3074	
Net Promoter Score of all surveyed customers	+60	+60	+56	
Total number of organisations working with Callaghan Innovation and NZTE as a F700 customer	300	300	379	

Callaghan Innovation is focused on improving our customers' experience engaging with us. Detail is provided below on initiatives underway to improve our Net Promoter Score.

Category 1: Building business innovation

Performance measure	2018/19 Performance standard	2019/20 Performance standard	Progress to end Q1 FY 19/20	Status
Number of customers who worked with Callaghan Innovation in the following services: Events, International Missions and Programmes:	1500	1200	1578	
Net Promoter Scores for Callaghan Innovation Services ¹ :	+50	+30	+43	
• Events				
• International missions		+60	+69	
• Programmes		+60	+56	



Following a 10% increase in the number of businesses we worked with in 2017/18, we are focused on deepening engagement with our customers who are increasingly using more than one of our services.

¹ Global expert discontinued as a service in 2018, no longer a performance measure.

This quarter we delivered an evaluation of Programmes (also known as Innovation Skills). Based on this assessment, we drafted a new business model that includes feedback from qualitative and quantitative analysis and the customer journey. The new working model will be finalised in Q2, to begin in Q3. The new model will align better to our strategy, measure business impact, and connect better to other Callaghan Innovation and NZ Inc services e.g. NZTE. We hope to have improved NPS, and better return on the funding available to deliver our innovation capability tools, workshops and programmes.

Our event activity has increased as our experiences become platforms to connect, communicate and strengthen our brand and reputation with customers and stakeholders. We are implementing a number of initiatives to drive an increase in our NPS for events, including an extensive events guide to support staff training (now in circulation), developing presentation training and tools for staff, investing in event management software, and providing more focused and effective event marketing and communications.



Category 2: Business research and development contract management

Performance measure	2018/19 Performance standard	2019/20 Performance standard	Progress to end of Q1	Status
Number of new project and student grant applications received during the financial year	New measure	700	1082	
Percentage of project and student grant applications who have received a decision within 30 working days of receipt of the completed application ²	90%	90%	85%	

Last quarter we received significantly more Student Experience Grant and Project Grant applications than in previous years. The backlog this created, coupled with the Growth Grant application and extension scheme deadline of 31 March 2019, has continued to impact processing times this quarter. However, at the end of the quarter processing times were beginning to reduce and we are confident the processing times will continue to improve.



² Growth Grant scheme closed for applications in Q3 FY18/19, applications have been excluded from this performance measure.

Category 3: Research and development services and facilities for business and industry


Performance measure	2018/19 Performance standard	2019/20 Performance standard	Progress to end of Q1	Status
Net Promoter Score from Research and Technical Services, services	+60	+50	+41	
Number of customers with a Research and Technical Service project this financial year	175	240	262	

There is work underway to improve survey data collected from RTS customers that will provide more accurate measures of customer satisfaction. Additionally, the work underway by the RTS Group to develop its new strategy and reorganise its customer engagement process is expected to positively impact RTS' Net Promoter Score.





National Measurement Standards

Performance measure	2019/20 Performance standard	Progress to end of Q1	Status
Provide national measurements and standards and related services in accordance with statutory obligations under section 4 of the Measurement Standards Act 1992, reported annually to the Minister and accepted	Achieved	Underway	
All technical procedures related to the maintenance of national measurement standards (in accordance with the resolutions and recommendations of the Metre Convention) independently reviewed and validated, with all external review actions completed by 30 June 2020	Achieved	There were 100 technical procedures in validation on 1 October 2019 of which 18 were validated or revalidated during the three months from 1 July 2019 to 30 September 2019. IANZ have not audited MSL during this three-month period. There are no outstanding corrective action requests from previous audits.	

Research and Development Growth Grants

Performance measure	2018/19 Performance standard	2019/20 Performance standard	Progress to end Q1 FY 19/20	Status
Percentage of businesses receiving a Growth Grant that maintain or increase eligible R&D expenditure over the grant period ³	70%	70%	82%	

Targeted Business Research and Development Funding

Performance measure	2018/19 Performance standard	2019/20 Performance standard	Progress to end of Q1	Status
Number of active Project Grants this financial year	New measure	570	603	
Net Promoter Score from Project Grants recipients	New measure	Baseline to be established	+76	N/A
Percentage of Project Grant recipients who perceived that the grant-funded project had an overall positive impact on their business	New measure	95%	95%	
Percentage of Project Grant recipients who perceived that the grant-funded project increased knowledge acquisition	New measure	85%	95%	
Percentage of Project Grant recipients who perceived that the grant-funded project improved business productivity	New measure	85%	88%	

³ This compares the average eligible quarterly R&D spend in the two years prior to the Growth Grant (the years used to enter the scheme) with the average eligible quarterly R&D spend during the Growth Grant period. Note: the wording about eligible R&D spend being maintained or increased has changed in the latest Ministerial direction. It was previously 'the business has maintained or increased non-government funded eligible R&D expenditure over the two years of the grant period as compared to the two years prior to the grant period'. It is currently 'has maintained or increased eligible R&D expenditure over the two years of the grant period as compared to the two years prior to the grant period'.

Net Promoter Score from Experience Grants recipients	New measure	+70	Survey conducted annually, results reported Q4	N/A
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Repayable grants for start-ups

Performance measure	2018/19 Performance standard	2019/20 Performance standard	Progress to end of Q1	Status
Number of customers that received a service from either an incubator or accelerator	New measure	180	150	A
Percentage of surveyed start-ups who agree that they have gained business or commercialisation skills due to working with the incubator/accelerator ⁴	New measure	Baseline to be established	N/A	N/A

Future-proofing New Zealand's Manufacturing Sector by Driving Industry 4.0 Uptake and Skills Development⁵

Performance measure	2018/19 Performance standard	2019/20 Performance standard	Progress to end of Q1	Status
Number of customers who received a service during the financial year	New measure	Baseline to be established	N/A	N/A
Net Promoter Score from customers who receive a service during the financial year	New measure	Baseline to be established	N/A	N/A

⁴ We are reviewing this measure as part of our incubator/accelerator refresh process.

⁵ Service category is new and still in RFP, no services delivered to date.

Financial performance

Financial summary

Key Financial Indicators to 30 September 2019

	Actual \$m	Budget \$m	Variance \$m
Parent Surplus after non-operating items	3.2	(0.4)	3.6
Revenue	28.1	28.0	0.1
Expenses	25.2	28.6	3.4
Interest income and non-operating items	0.3	0.2	0.1
Cash and deposits	43.7	32.2	11.5

The parent surplus for the three months ended 30 September 2019 was \$3.2m compared to a budgeted loss of (\$0.4m).

Within total revenue, strong sales in Glycosyn (+0.8m) were offset by lower than budgeted commercial revenue in both Kiwistar (\$0.6m), and Research and Technical Services (\$0.2m).

The favourable expenditure variance of (\$3.4m) was driven by lower than expected spend in personnel (\$1.2m), services and contracts (\$0.8m), software licencing (\$0.4m) and strategic initiative spending (\$0.5m). The personnel underspend is due to the high number of vacancies and new positions. The services and contracts variance is in line with the reduced revenue in KiwiStar. The software licencing shortfall is a combination of timing and the delay in the rollout of new software applications. Strategic initiative spend is down across most business groups, however the gap to budget is expected to close over the next few months.

The cash and term deposits balance at 30 September totalled \$43.7m, which is \$11.5m higher than budget. This higher balance has been driven by several favourable variances against budget including our opening cash balance (\$2.5m), revenue paid in advance on several commercial projects (\$3.3m), and the YTD surplus of \$3.6m.

All output classes are favourable against budget.

Grants expenditure for the three months YTD is \$76.6m.

All financials above are for the Callaghan Innovation Parent.

The Callaghan Innovation Parent includes all operations *excluding* our subsidiary and associate companies New Zealand Food Innovation (South Island) Limited, New Zealand Food Innovation Auckland Limited, and New Zealand Food Innovation (Waikato) Limited.

The Callaghan Innovation Group includes all operations *including* our subsidiary and associate companies New Zealand Food Innovation (South Island) Limited, New Zealand Food Innovation Auckland Limited, and New Zealand Food Innovation (Waikato) Limited.

We will begin reporting the Group results later in the year. In addition to this we are preparing a FY19/20 reforecast to be presented to the Board in December 2019.

All financials below are for the Callaghan Innovation Parent. Subsidiary results will be included in these financial results from later in the year. It also includes a gross up for the sFTI National Science Activity funding and activity which has had a net nil impact on the Group's financial result YTD and is not reflected in the commentary above.

Statement of revenue and expense

Callaghan Innovation Parent

For the 3 months ended the 30 September 2019

	Actual	Budget	Variance		Full Year Budget
	\$k	\$k	\$k		\$k
Revenue					
Crown operating					
Crown Funding - Other	-	-	-		1,413
Callaghan Innovation Funding	10,200	10,200	-		40,800
Strategic Investment	4,631	4,631	-		18,523
Business R&D Grants administration	1,937	1,938	(0)		7,751
National Measurement Standards	1,908	1,908	(0)		7,632
Programme Funding	845	845	-		3,378
Food Innovation Network	1,175	1,175	-		4,700
Total Crown operating	20,696	20,696	(0)		84,197
Crown contestable contracts and other	1,416	4,470	(3,054)		18,250
Commercial revenue					
Domestic Commercial	2,086	2,566	(480)		10,212
Overseas Commercial	4,610	4,068	543		13,352
Total Commercial revenue	6,696	6,633	63		23,563
Other Income	746	627	119		2,732
Total revenue	29,554	32,427	(2,873)		128,742
Expenses					
Personnel	13,465	14,697	1,232		57,578
Services and Contracts	4,525	7,724	3,199		30,697
Other costs	6,720	8,474	1,753		34,138
Depreciation	1,952	2,146	194		9,361
Total expenses	26,663	33,040	6,378		131,773
Operating surplus / (deficit)	2,891	(614)	3,505		(3,031)
Interest Income	341	175	165		581
Non Operating Income	-	-	-		-
Surplus / (Loss)	3,232	(438)	3,670		(2,450)

The following grants funding and expenditure occurred in the 3 months ended 30 September 2019:

	\$k
Grants funding from MBIE	76,594
Grants expenditure	(76,594)
Net Impact	0

Statement of financial position

As at 30 September 2019

	Actual	Budget	Variance		Full Year Budget
	\$k	\$k	\$k		\$k
Assets					
Current assets*	184,152	145,240	38,912		165,983
Non-current assets					
Fixed Assets	58,348	60,836	(2,488)		79,076
Investment in associates	9,529	9,373	156		9,373
Total assets	252,029	215,449	36,580		254,432
Liabilities					
Current liabilities*	(152,591)	(122,802)	(29,789)		(122,794)
Non-current liabilities					
Non-current employee entitlements	(328)	(309)	(19)		(299)
Total liabilities	(152,918)	(123,111)	(29,808)		(123,093)
Net assets	99,110	92,338	6,772		131,338

Statement of equity

As at 30 June 2019

	Actual	Budget	Variance		Full Year Budget
	\$k	\$k	\$k		\$k
Equity					
Capital	95,878	92,777	3,102		133,788
Current year surplus / (deficit)	3,232	(438)	3,670		(2,450)
Total equity	99,110	92,338	6,772		131,338

* i includes the following estimated grants liability at 30 September 2019:

\$k

Current assets

MBIE grants receivable 131,520

Current liabilities

Provision for grants payable (131,520)

Statement of cashflow

For the 3 months ended the 30 September 2019

	Actual	Budget	Variance		Full Year Budget
	\$k	\$k	\$k		\$k
Net cash flows from:					
Operating activities	10,159	1,447	8,712		6,545
Investing activities	(5,899)	(6,244)	344		(31,698)
Financing activities	-	-	-		41,070
Net increase / (decrease)	4,260	(4,797)	9,057		15,917
Add cash at start of period	39,435	36,995	2,440		36,995
Balance at end of period	43,695	32,199	11,496		52,912

Appendices

R&D grants forecast

Please see below both the R&D Growth Grants forecast, and the Project and Student Grants forecast.

Free and frank advice



Repayable grants forecast

Free and frank advice



Measurement Standards Laboratory report

Overview

- ✓ Delivered 10 training courses to 70 participants in Auckland and Lower Hutt in a range of measurement techniques covering mass, pressure, temperature, humidity, spectrophotometer, and dimensional measurement. MSL training courses assist testing and calibration laboratories to meet their IANZ accreditation requirements, upskill and stay current with best practice in measurement.
- ✓ Completed the 2019 mass scale recalibration, which disseminates the NZ standard kilogram to mass ranging from 1 mg to 10 kg via the working standards. During this recalibration, we had to include the additional uncertainty arising from the International Prototype Kilogram (IPK) following the redefinition of kilogram in May.
- ✓ Awarded a scholarship to a PhD student to develop new capability in light measurement. The project is a partnership with Victoria University of Wellington.

Financial performance

Statement of revenue and expense

For the three months ended 30 September 2019

	Sep-19 YTD			Full Year
	Actual	Budget	Variance	Budget
Revenue	\$k	\$k	\$k	\$k
National Measurement Standards	1,908	1,908	(0)	7,632
Strategic Investment	33	33	-	133
Total Crown Revenue	1,941	1,941	(0)	7,765
Domestic Commercial	194	146	49	582
Overseas Commercial	29	8	21	67
Total Commercial Revenue	223	153	70	649
Other Income	10	8	2	15
Total Revenue	2,174	2,102	72	8,429
Expenses				
Personnel	1,094	1,168	74	4,582
Services and Contracts	9	56	47	140
Other Costs	307	181	(127)	658
Depreciation	188	209	21	956
Total Expenses	1,599	1,615	16	6,336
Contribution Margin	575	488	88	2,094
Indirect Expenses	569	553	(16)	2,221
EBIT	6	(65)	71	(128)

- Overall MSL is running close to budget with commercial revenue slightly ahead this quarter.

Use of MSL capital appropriation

- \$118,651 of capital expenditure has been approved against the full-year appropriation of \$3.44 million.
- In addition, business cases are being drafted for major capital equipment and we anticipate spending the entire full-year appropriation by 30 June 2020.

MSL's outputs

- ✓ 39 calibration jobs delivered to customers.
- ✓ 8 IANZ assessments of external laboratories carried out by MSL staff.
- ✓ 70 people received training in measurement practice from MSL.
- ✓ 1361 downloads of resources (e.g. technical guides, software) from measurement.govt.nz
- ✓ Measurement standards recalibrated for optical flats, ceramic gauges (Length Standards) and luminance meters (Light Standards).

International acceptance of New Zealand's measurement system

- MSL represented New Zealand's interests at the BIPM Consultative Committee meetings on light standards in Paris.
- An MSL staff member acted as an expert peer reviewer for Australia's international audit of their humidity standards.

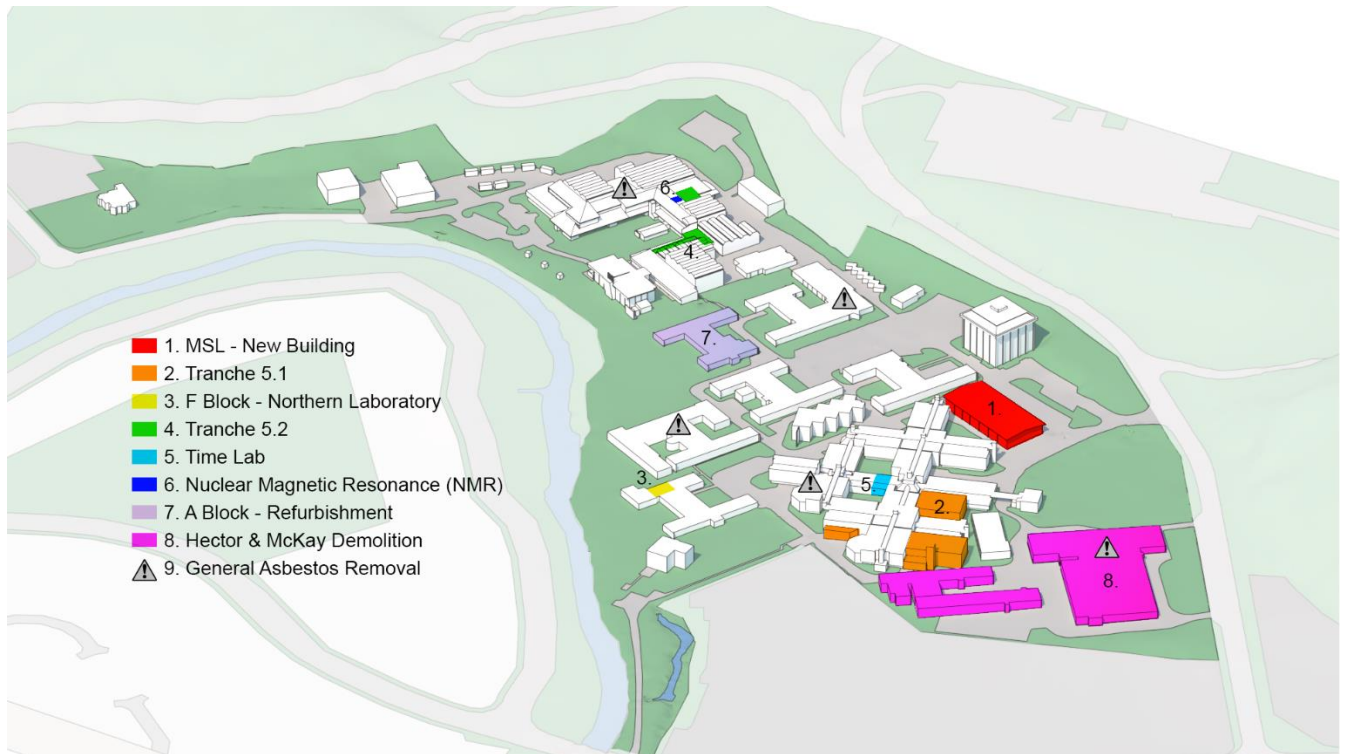
Actions to address MSL resilience

- Recruitment for three technical roles is also underway to provide back-up in Time and replace two technicians (Temperature and Electrical Standards) due to retirement.
- Construction of the building envelope for the new MSL building is complete. The building interior is progressing well and was 67% complete as at 30 September 2019.
- Temperature Standards and Electrical Standards are expected to move from McKay Building to the new MSL building in the first half of 2020. Planning is underway to address risks associated with moving the national standards and minimise interruption to service delivery.
- MSL installed three replacement fixed-point blackbodies, which we use to create New Zealand's temperature scale.
- The replacement high pressure standard has also been installed in the laboratory.



Exterior of new MSL Building at Gracefield

Gracefield Innovation Quarter (GIQ) Programme report



Our highlights this quarter

- ✓ Completed changes to the GIQ Programme team structure to incorporate the National Facilities team to better enable the teams to operate in a collaborative and joined up way, one of the recommendations of the Gateway Review. The leadership group has transitioned to a Programme Director and Programme Manager structure.
- ✓ Recruited critical roles in GIQ Programme team, including:
 - Design Officer, to work with the Programme Director on the Strategic Services programme.
 - Design Lead, responsible for the Design Authority and maintain overall design and technical integrity of the GIQ Programme.
 - Business Change Lead, to develop the change framework for Callaghan Innovation and lead the GIQ change programme.
 - Services Engineer, responsible for providing technical advice regarding systems and below ground infrastructure for the site.
- ✓ More than 100 Lower North Island businesses and stakeholders celebrated World Entrepreneurs' Day at GIQ on 21 August. We partnered with the Wellington Chamber of Commerce for the second year, and this year included new partnerships with the Hutt Valley Chamber of Commerce and Technology Valley. Six of our customers spoke about what it means to them to have a world-class innovation quarter on their doorstep – a great opportunity for our RTS Group and the GIQ Programme to foster closer engagement with regional businesses.

- ✓ Commenced work with Victoria University of Wellington to identify a preferred solution for the Ferrier Research Institute and Robinson Research Institute. We have completed an initial draft of the mandate that describes the outcomes for the work.
- ✓ Rolled out bespoke training to 54 people across the organisation on the Managing Successful Programmes (MSP) programme management framework and Prince2 Project Management methodology. Training will continue to be delivered in Quarter 2.
- ✓ Fit-out of the new MSL building is progressing to programme, and services installation underway. New external MSL signage has been applied. The fit-out work is anticipated to run through to end February 2020 and will be followed by the 6-month decant project. The end user-focused design process, where MSL Scientists have been included in all stages of the project, continues to have a very positive impact.
- ✓ The Governance Group approved the strategic case for Tranche 5.1 that includes projects for KiwiStar, MSL and Protoshop to ensure our commercial businesses have appropriate workspaces.
- ✓ Opened the Northern Laboratory of F Block, a project delivered by the Facilities team inhouse. The laboratory, which contains a range of specialised equipment, has been leased to Victoria University of Wellington's Ferrier Research Institute.
- ✓ Made significant progress towards completing the digital twin, a 3D representation of the Gracefield site. The site topography and context has been modelled along with key assets including the Robertson, Library and Glycosyn buildings. The work to date has been used to generate visualisations to inform and engage stakeholders. Continued development of the digital twin will be used for various tasks including on-boarding, HSE and asset management.
- ✓ Established a new Governance Structure, including a new Sponsoring Group, the Gracefield Development Governance Group (GDGG). The GDGG had its first meeting in September and will initially meet on a 6-weekly basis.
- ✓ Completed construction and fit out of Office 5, the primary office area of the new Auckland location. Our Auckland-based teams successfully moved into Textile Centre on 29 July. Having our staff located at a single site is already providing opportunities for greater collaboration and an enhanced customer experience. We have retained lab space at Balfour Road to ensure existing projects can continue uninterrupted while the new Textile Centre labs are built and fitted out.

Our focus for the next quarter

- Continue recruitment for key positions, including:
 - Delivery Lead, to ensure successful delivery of the capital works projects and lead critical infrastructure projects.
 - GIQ Change Specialist, to lead the Change Authority for the GIQ programme and maximise the site's transformation outcomes.
 - Revit Specialist, responsible for providing accurate digital representation of architectural, structural and building services assets.
 - Geospatial Designer, responsible for providing accurate digital representation of geospatial mapping of asset and levels of service, civil design and below ground infrastructure assets.

- Asset Manager, responsible for planning and implementing robust asset management plans and providing asset advice on the ongoing and future requirements of the site.
- Prepare for the next Gateway Review scheduled for 25-29 November, in particular ensuring we have completed or made significant progress towards the recommendations from their reviews in April and November 2018.
- Complete the indicative business case for Tranche 5.1, projects for KiwiStar, MSL and Protoshop, to be presented to the Governance Group for approval. Once approved, the design team will be procured and preliminary design commenced. The detailed business case with all design and contractor procurement is due for completion in mid-2020.
- Complete the indicative business case for Tranche 5.2 that re-roofing work and laboratory refurbishment for GlycoSyn. This is expected to be presented to the Governance Group for approval before the end of the calendar year. Once approved, the design team will complete the design work and construction is expected to commence in early 2020.
- Complete the detailed business case for the Time Lab and commence procurement of contractors to deliver this project.
- Complete a joint venture mandate with Victoria University of Wellington to outline the long-term future potential partnership arrangement for the University to be at Gracefield.
- Select a supplier to provide technical investment and business case support for the Strategic Services Programme. The RFP will ensure we have the expertise to support the delivery of a shared vision, blueprint and benefits management plan for GIQ.
- Progress a Facilities project to fit out a room to meet the requirements of the new Nuclear Magnetic Resonance Suite purchased. The requirements have been agreed and we expect construction to commence before the end of 2019. As the room is located within the processing building, a strategic asset for the site, investment into this building has long-term benefits.
- Progress a Facilities project to define works for the refurbishment of A Block. We will write a business case and anticipate work will commence in early 2020.
- Progress the design of the new laboratories at Textile Centre in Auckland, with resource consents expected to be lodged by December 2019. We are aiming to officially open the office in mid-2020.
- Transition the Programme Management Office for the GIQ Programme to an Enterprise Programme Management Office to provide centralised support to Callaghan Innovation's three transformation Programmes, Strategic Initiative Projects and core projects.

Financial performance

Negotiations



- Within Tranche 1 Emergency Response Works, the largest driver of expenditure to date has been work on the MSL building – a further \$4m is forecast to be spent on this between October 2019 and March 2020. By the end of the 2019/20 financial year, capital expenditure on Tranche 1 will be substantially complete.
- Tranche 5 Business Growth Workspaces is the next tranche, where expenditure will begin to pick up in the second half of the current financial year.
- The forecast overspend against budget in Tranche 5 relates to the building of the new cleanroom in the Robertson building. This work was temporarily placed on hold due to the most recent cost estimate for the new cleanroom exceeding what was initially budgeted for the project. In October, our Board considered the costs and benefits of a number of different options, and a preferred option was identified. This option, including the additional budget required, will be further considered by the GDGG in November, and it is anticipated that work on the new cleanroom will recommence shortly.
- The programme is also supported by funding for operating expenditure:

Negotiations



- Funding for the GIQ Programme Office covers the cost of establishing the programme management framework, and the ongoing personnel and overhead costs associated with delivering a significant capital works programme.
- At this early stage of the programme, no significant financial risks have been identified. However, due to the size of the programme, the bespoke nature of some works, and the particular challenges of the site (including the extensive use of asbestos), the potential for financial risks to emerge cannot be discounted.