

Quarterly Report to the Minister of Research, Science and Innovation

For the third quarter ending 31 March 2020

Introduction

This report provides an update on performance for the third 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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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

For 2019/20, year two of our current five-year strategic period, Callaghan Innovation's Executive Leadership Team has evolved our three transformation programmes (falling under a fifth strategic pillar 'Building the critical foundations') and targeted four strategic projects that evolve how we serve customers – all aligned to our strategic pillars:

Y1 **Y2** Y3 Y4 Y5

This is **YEAR TWO** of our five year strategy, when our foundation transformation programmes gather momentum and start to delivery new capability

We are choosing to focus on **SEVEN AREAS**

TRANSFORMATION PROGRAMMES

STRATEGIC PROJECTS
that evolve how we serve customers

- 1 Digital transformation
- 2 Tatai Whetu
- 3 Gracefield redevelopment
- 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



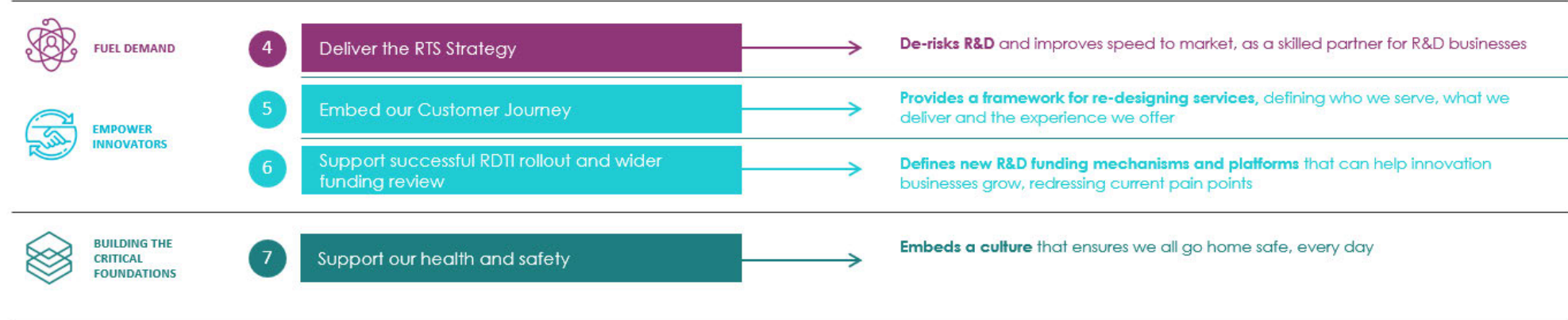
We are building an integrated 'portfolio' approach to drive collaboration and break down silos within these seven programmes/projects – this in turn identifies interdependencies, out of which emerge ways to better execute our overall strategy.

Our integrated portfolio approach to executing strategy

THREE TRANSFORMATION PROGRAMMES



FOUR STRATEGIC PROJECTS





Digital Transformation Programme – FY20 Plan

Through this programme we aim to create and enable digital experiences that strengthen collaboration, accessibility and innovation across our ecosystem; implement digital platforms, products and processes that are fit for purpose and increase staff collaboration, efficiency and confidence; and improve organisational agility through fit-for-purpose and scalable digital platforms and products.

Strategic priority	Committed Programme of work	FY20 Milestones	Long term measures of success (FY21 - 23)
G-Suite delivered	<ol style="list-style-type: none"> 1. Discovery, design, and Core IT implemented 2. Early adopters, Google guides and Business Change Managers (BCM's) trained and onboarded 3. Rest of organisation trained and onboarded 	<ol style="list-style-type: none"> 1. Discovery, design, and CoreIT delivered H1 2. Early adopters, Google Guides and BCM's trained and onboarded H1 3. Training and roll out to organisation completed in H2 	<ul style="list-style-type: none"> • 15% productivity gain • Reduced data storage costs by 15% • 15% reduction in travel spend
Network Optimisation	<ol style="list-style-type: none"> 1. Functional and user experience requirements defined 2. Network design including resilience options developed 3. Detailed business case developed 4. Network optimisation delivered by site 	<ol style="list-style-type: none"> 1. Requirements defined H1 2. Network design completed H1 3. Detailed business case delivered H1 4. Auckland & Chch delivered H1 5. Asteron House and GiQ delivered H2 	<ul style="list-style-type: none"> • Improved performance (particularly voice and video), reliability and security including BCP • Science productivity improvements due to fit for purpose science network and new science capabilities
Data architecture redesigned	<ol style="list-style-type: none"> 1. Functional and user experience requirements defined 2. Preliminary business case and RFI/RFP's completed 3. Preferred supplier identified and detailed business case developed 4. Supplier confirmed and platform built 5. Critical dataset migrated and reporting built based on priorities 	<ol style="list-style-type: none"> 1. Requirements defined H1 2. Preliminary business case and RFI/RFP completed H1 3. Preferred supplier identified and business case developed H2 4. Platform built H2 FY20 and H1 FY21 5. Agile delivery of benefits from H1/2 FY21 onwards with completion in H1 FY22 	<ul style="list-style-type: none"> • Trust in the accuracy of the data • The ability to easily add, share, integrate and aggregate data from different sources through the use of API's • Increased capabilities for data analysis and presentation
New Grants platform	<ol style="list-style-type: none"> 1. Functional and user experience requirements defined 2. RFI/RFP's completed 3. Preferred supplier identified and detailed business case developed 4. Supplier confirmed and implementation underway 5. Platform delivered 	<ol style="list-style-type: none"> 1. Requirements defined H1 2. RFI/RFP's completed H1 & 2 3. Preferred supplier identified and business case developed H2 4. Supplier confirmed and implementation underway H2 FY20 & H1 FY21 5. Platform delivered H2 FY21 	<ul style="list-style-type: none"> • Improved customer experience • Increased grants applications • Reduced manual administration – increasing value-add activities



Gracefield (GIQ) Redevelopment Programme – FY20 Plan

Through this programme we will transform our Gracefield site into a national hub for innovation where businesses and innovation organisations can come together to drive New Zealand's economic development. We want to create an environment for the GIQ Community to do their best work, where it's easy for our customers to engage with us and to access the R&D support they need to grow.

Strategic priority	Committed Programme of work	FY20 Milestones	Long term measures of success (FY21 - 23)
Vision & long term strategy (gateway review)	<ol style="list-style-type: none"> 1. Continue to develop a shared vision across the ecosystem for the Programme 2. Complete a draft Strategic Assessment for the long term future of the site 3. Gateway Review November 2019 	<ol style="list-style-type: none"> 1. A clear vision is developed in partnership with our stakeholders 2. Identify potential site partners and develop partnership agreements for the future GIQ Community 3. Target Green-Amber for the result 	<ul style="list-style-type: none"> • Increased demand from innovators to engage with our services • Increased ongoing investment from Government and private stakeholders • Improvements and benefits from how we execute the programme
Auckland office refit completion	<ol style="list-style-type: none"> 1. Co-locate Auckland teams at Textile Centre 	<ol style="list-style-type: none"> 1. Complete design for offices 2 & 4 and innovation showcase. 2. Fully re-locate to the Textile centre 	<ul style="list-style-type: none"> • Increase RTS revenue • A vibrant and supportive innovation community developed • Reduce earthquake risk and prototype the operating model.
Tactical estates	<ol style="list-style-type: none"> 1. Progress Emergency Response Works 2. Business case developed for Tranche 5.1 3. Tranche 2 business case developed 4. Deliver new Time-Lab facilities 5. Establish core processes/ procedures for Programme Management Office. Complete audits as required. Ensure ready for Gateway Review November 2019. 	<ol style="list-style-type: none"> 1. MSL building fitout complete and occupied 2. Business case approved 3. Complete strategies (monitoring and control; Risk; Procurement; investment framework; quality and assurance and information strategy). 	<ul style="list-style-type: none"> • Reduce H&S risk from MacKay: meet duty of care to MSL staff • Increased commercialisation of science and technology • Stabilise existing staff/tenant accommodation • Improve tenant and staff safety and resilience across the site. • Increase execution excellence and independent assurance the programme is on track.
Change management	<ol style="list-style-type: none"> 1. Establish change authority for GIQ 2. Embedding MSP - Complete MSP training for GIQ 3. Evolve governance structure for GIQ programme 	<ol style="list-style-type: none"> 1. Establish benefits framework & align GIQ change & comms approaches 2. Teams trained and understand benefits of MSP methodology 3. Embed new GDGG, embed programme board and project boards. 	<ul style="list-style-type: none"> • Increase staff understanding of what's happening in the programme: smooth transition when delivering improved infrastructure • Increase success of programme delivery • Shore up delivery of programme initiatives - on time, on budget and to scope with key risks identified/mitigated



Tātai Whetū Programme – FY20 Plan

The name Tātai Whetū is part of Callaghan Innovation's whakatauaākī (proverb) and as such holds great significance for our organisation. It translates to "reach for the stars" – our goal for providing exemplar customer service.

Through this programme, we will evolve how we operate, with a specific focus on developing our culture and processes to:

- increase our impact on the innovation ecosystem, to accelerate economic and industry transition to a fully digital economy, while improving the wellbeing of our people and the health of our planet
- be a world class government agency that is an exemplar of innovation for others to follow.

Strategic priority	Committed Programme of work	FY20 Milestones	Long term measures of success (FY21 -23)
Tātai Whetū Programme	1. Discovery phase July/October 2. Identify phase November/December 3. Define phase January/March 4. Delivery phase March onwards	1. Current state assessment 2. Programme identified 3. Engagement with organisation including investment logic mapping (ILM) 4. Programme defined 5. Business case approved and team ready for implementation 6. Programme delivery begins	<ul style="list-style-type: none"> • ILM has identified benefits and strategic responses for the programme, with KPIs assigned to measure the benefits. These will be further developed during the definition phase.

*Since the Q2 Report, elements of the RTS Strategy Implementation project and Customer Journey have been merged to form one Customer Experience (CX) Project. The CX Project now sits under the Tātai Whetū Programme. Merging Customer Journey with the RTS Strategy effectively and strategically advances 'who we serve' and defines a systematic approach to the way we serve our customers seamlessly across both RTS and Sectors.

Strategic Projects – FY20 Plan

We have identified these four projects as the highest priorities for progressing our strategy in year 2. We have and will continue to identify areas of overlap among projects and initiatives – for example, embedding the Customer Journey is key to supporting the successful RDTI rollout and wider grants review, as well as the RTS services redesign.

Strategic priority	Committed Programme of work	GM	FY20 Milestones	Long term measures of success (FY21-23)
Deliver the RTS strategy	<ul style="list-style-type: none"> New pricing model Identify and size market opportunity Redesign RTS services (scoping) 	Paul Linton	<ul style="list-style-type: none"> New commercial structure implemented on pilot basis New services scoped/designed by end of H2 	<ul style="list-style-type: none"> \$3 return per \$1 invested NPS of 55 50 frontier firms served per annum (TBC) 80% of frontier firms receive other Callaghan services 40% of time spent with NZ businesses
RDTI rollout & grants review	<ul style="list-style-type: none"> RDTI establishment Grants policy review Grants platform selected RDTI education/engagement campaign Callaghan Innovation Internal Change Grants Customer Experience and Process Improvement 	Vic Crone	<ul style="list-style-type: none"> RDTI service and team set up Funding review completed and agreed Education campaign rolled out Impact on CI staff and customers identified, action plan agreed Customer experience and process remodelled 	<ul style="list-style-type: none"> Growth in business R&D spend to 2% of GDP by 2027 # of RDTI registrations Grants NPS increases – target TBC
Embed Customer Journey	<ul style="list-style-type: none"> Resource, embed and communicate Customer triage and segmentation Support RDTI and grants review Support RTS services redesign 	Rosalie Nelson	<ul style="list-style-type: none"> New customers assessed against triage framework Retrofit plan for existing customers Pilot for new account plan # pilots for services re-design in FY21 	<ul style="list-style-type: none"> Customer revenue & FTE growth is higher than counterfactual Services NPS increase by 10% YoY
Health & Safety Project	<ul style="list-style-type: none"> H&S critical risk PCBU Framework Callaghan Innovation as an importer, manufacturer, supplier, designer Directors' due diligence obligations Being well Coordinated Information Management System (CIMS) 	Esther Livingston	<ul style="list-style-type: none"> Each of these workstreams has an established project plan associated with delivery 	<ul style="list-style-type: none"> Culture prioritises safety, health and wellbeing as core values Operationalised safety partnerships Safe production and work is our number one priority Actively applying lessons learned H&S environment is linked to our business performance

*Since the Q2 Report, elements of the Customer Journey and the RTS Strategy Implementation project have been merged to form one Customer Experience (CX) Project. The CX Project now sits under the Tātai Whetū Programme.

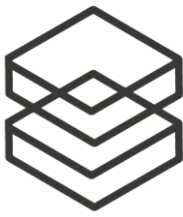
Q3 Progress report

COVID-19

New Zealand went into lockdown due to COVID-19 just before Q3 came to an end, prompting us to undertake a number of emergency measures including closing our sites in Auckland, Wellington and Christchurch – and strictly limiting access to our Gracefield site to essential workers.

We stood up a COVID-19 Emergency Response Team and have work underway on several initiatives to support our customers through the crisis. We are in the process of developing a three-phase transitional strategy and will provide you with further detail on this in a separate briefing. This transitional strategy will also be reflected in our 2020-21 Statement of Performance Expectations. We have identified the performance measures we expect to be most affected in the Risks and Issues section on p17 and will begin to report on COVID-19 impacts from Q4.

Building the critical foundations



Foundation initiatives to drive our ambition.

Our milestones this quarter:

The integrated portfolio approach to our strategic initiatives prioritises our three transformation programmes as essential to successfully delivering our four priority projects, as well as identifying interdependencies within these three programmes. As such we have a dedicated enterprise project management office (ePMO) to track programme progress; ensure strategic alignment and consistency across various programmes and projects; embed a nimble, flexible standardised approach in the organisation; and provide guidance, governance, standardised process and project management, portfolio management best practise, tools and techniques.

Digital Transformation Programme

- ✓ Received Programme Mandate and business case approval.
- ✓ Stood up programme organisation and governance.
- ✓ Created a team of Change Agents for the organisation-wide implementation of Google G Suite.
- ✓ Received approval for the preliminary business case for the new data and integration platform.
- ✓ Conducted a procurement process to identify an organisation to map and benchmark our processes under the Tātai Whetū programme.
- ✓ Reprioritised Programme outcomes to better support organisation agility to respond during COVID-19 pandemic.

GIQ Programme

- ✓ Commenced four procurement processes seeking consultants for design teams to contribute to detailed business cases for key projects.
- ✓ Made good progress on the fit-out of the new building for the Measurement Standards Laboratory. All major building work has been completed with only final commissioning and installation remaining.
- ✓ Commenced two new construction projects – refurbishment of the microfabrication cleanroom facility and a new laboratory of MSL's Time and Radio Frequency Teams.
- ✓ Approved the commencement of work on an early phase of redevelopment, involving developing a project to deliver a Biotechnology Hub at Gracefield.

Tātai Whetū Programme

- ✓ Strategic Business Case completed.
- ✓ Programme governance structure confirmed.

Five projects currently sit under the Tātai Whetū Programme:

- **Process Optimisation** – mapping our processes, benchmarking them against similar organisations around the world, and changing or building any new ones we need.
- **Our Vision** – being very clear about what we are here for as an organisation.
- **Operating Model** – setting ourselves up in the best way to deliver value for our customers (and to help them grow New Zealand's economy) – includes how we're organised, how we manage our information, the technology and processes we use.
- **Change Framework** – a 'change kit' for how to manage change including tools, checklists and a community of people to help navigate the changes we need to make every day.
- **Customer Experience** – merger of the Customer Journey project with the RTS Strategy Implementation project to create a 'Callaghan Customer Centric Project' in order to:
 - Strategically advance 'who we serve' and define a systematic approach to the way we serve our customers seamlessly across both RTS and Sectors.
 - Adopt human centred design principles to support the delivery of product, service and process prototypes to adopt a more agile, customer-led and focused approach to our service delivery.
 - Customer Experience is split into the following workstreams:
 - Identifying the Customer
 - Onboarding and Customer Engagement Framework
 - Customer Future State Development

Health and safety

- ✓ Increased focus on wellbeing and the implementation of our COVID-19 response.
- ✓ PBCU framework development complete and we are now moving to implementation.
- ✓ Progressed our work in relation to Callaghan Innovation as a manufacturer, importer, designer and supplier – this is now moving into implementation.
- ✓ Further progressed our understanding and knowledge of our business's critical health and safety risks and now moving to complete the design phase of this project.

Our focus for the next quarter:

Digital Transformation Programme

- Embed the organisation and governance structure.
- Accelerate the organisation-wide implementation of Google G Suite to support staff to work from home during the Covid-19 lockdown period, including multifactor authentication and mobile device management.
- Resume the network and digital services for the labs at our Auckland Offices once able to return to the premises.
- Progress the procurement process and design for our new data and integration platform.
- Complete the indicative business case for the optimisation of our Auckland, Wellington and Christchurch networks including the development of a separate science network.
- Initiate projects to replace our enterprise voice and identity management platforms.

GIQ Programme

- Finalise remaining procurement processes for design teams and commence design work to contribute to detailed business cases for key projects.
- Construction projects have been temporarily closed down due the Alert Level 4 lockdown. Delivery timelines will be reviewed given the impact of Covid-19.
- Commence two new Tranche 3 projects, which recognise that the existing hazardous goods handling, chemical storage and utilities infrastructure across the site are no longer fit for purpose.
- Commence a procurement process to find a preferred supplier to undertake the design work related to the masterplan, part of the Strategic Services Programme.

Further information is provided in the GIQ Programme Report in the Appendices.

Tātai Whetū Programme

- Embed programme governance structure.
- Review and action opportunities to accelerate pieces of work within the programme.
- **Vision** – Board approval.
- **Operating Model** – phase one will deliver the preferred future state operating model ('blueprint') to set the foundation for future organisational change.
- **Change Framework** – roll out to staff via a series of engagement and feedback/input sessions, embed framework into organisation.
- **Customer Experience** – phase one will focus on the existing Health Tech portfolio, with inputs and support from the HealthTech Activator initiative, to deliver:
 - Definition profile of all high impact customers to 80% hypothesis
 - Onboarding and triage prototypes for HealthTech customers
 - Prototypes of a customer engagement framework for HealthTech customers
 - Review and identification of existing and potential products & services for HealthTech customers

- experiments and prototypes, identifying potential multidisciplinary teams to serve HealthTech customers.

Health and safety

- Ensuring that our health and safety approach supports our COVID-19 response.
- Transition the H&S Critical Risk, PCBU and Callaghan Innovation as an importer, designer, manufacturer and supplier – from design and development into implementation.
- In conjunction with our GIQ team, plan for hazardous goods procurement and laboratory remediation projects as elements of larger projects within GIQ tranches 3 and 2, respectively.

Empower innovators



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

Our milestones this quarter:

RDTI and wider Funding Review

- ✓ Launched RDTI online Hub with extensive online and nationwide print and radio advertising campaign.
- ✓ Promoted RDTI education and engagement with stakeholders including tax professionals, SMEs, startups, tech/founder incubators and government influencers.
- ✓ Continued RDTI pilot with Inland Revenue to inform and improve customer experience with criteria and methodologies process.
- ✓ Completed analysis of R&D Grant policy settings in light of introduction of RDTI.
- ✓ With MBIE undertook options analysis to develop grants prototypes.

Industry Partnerships

- ✓ Entered contract negotiations with our four selected Technology Incubator partners and hosted a Technology Incubator 'Orientation Day'.
- ✓ Completed an operational review of the New Zealand Product Accelerator (NZPA).
- ✓ Completed an Industry 4.0 demonstration network tender and selected two delivery partners, The Employers and Manufacturers Association and BECA.

Our focus for the next quarter:

RDTI and wider Funding Review

- Continue the RDTI Education and Engagement Campaign in context of COVID-19 support measures, including relaunching advertising leading with changes to refundability to support business R&D continuity, directing traffic to Hub content, and ongoing execution of the Stakeholder Action Plan where possible.
- Explore further RDTI policy changes to support business R&D through COVID-19.
- Implement RDTI pilot findings and feedback into processes to continuously improve customer experience.
- Grants policy development to support COVID-19 response and recovery.

Industry Partnerships

- Complete contract negotiations with Technology Incubator partners and complete the operational redesign and improvement project.
- Implement the findings of the NZPA review and begin an operational review of the Bioresource Processing Alliance (BPA).
- Finalise Industry 4.0 demonstration network contracts and move to detailed design and launch phases in context of the post-COVID environment.

Show the future



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

Case study: SaaStr delegation COVID-19 pivot

Saastr is the world's largest SaaS conference, run in San Jose across 3 days – this year set to run from 9 to 11 March 2020. Callaghan Innovation's Digital Sector team coordinated a delegation to attend for the fourth consecutive year. The delegation prepared through a series of pre-departure workshops, designed to ensure they could maximise the value from SaaStr. NZTE and Callaghan Innovation also wrap activities around the conference in-market designed to upskill and connect people in the international SaaS community.

The delegation has grown year-on-year, from 30 in the first year to 170 this year, reflecting the growing size and maturity of New Zealand's SaaS industry. We use the insights from the SaaStr delegation to inform what we prepare and present at Southern SaaS – our own conference in New Zealand across two days which hosted 350 attendees in August 2019. The SaaStr delegation is one of the foundation events/tools in our sector strategy, helping us create a community of SaaS founders and executives.

The Callaghan Innovation team ran a contingency plan for SaaStr which had clear actions based on how the COVID-19 outbreak spread and evolved. Based on information we had and the agreed criteria in our contingency plan, we made the decision along with our partners NZTE to cancel the activities in San Jose and our staff attendance at the event, creating a large gap for founders and C-Level executives who had planned to attend. We also lost the opportunity to increase our engagement and strengthen relationships with our customers.

We made the decision to cancel the week before the conference, but recognised we had an engaged community, speakers available and an overall appetite to 'make something of this' in the void created by the cancellation. SaaStr cancelled three days after us, with no digital replacement. We contacted four of our pre-arranged speakers who agreed to deliver their content remotely, creating the opportunity for a virtual 'SaaStr-lite' half-day conference. Around 30 per cent of the cohort attended the Zoom-based event.

We surveyed the attendees post-event, and while the NPS was low compared to an 'in-person' event, attendees commented that they liked the format, suggested some tweaks to make it better, and requested the content be made available. The recorded event has been fed out into the community via the Callaghan Innovation YouTube channel and Slack. In response to several other Callaghan Innovation teams' requests for assistance, our Events team have recently developed a suite of best practice materials for future virtual events.

Connect the ecosystem



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

Case study: Callaghan Innovation and Scion collaboration

On 11 and 12 March 2020, a multi-functional team from Callaghan Innovation – a Technology group manager, an Advanced Materials scientist from RTS, and two Business Innovation advisors from Sectors (one representing the AgriTech sector and the other the Construction cluster within the High-Value Manufacturing sector) – spent two days with some of the ELT at Scion in Rotorua.

The purpose of the visit was to establish a structured Quarterly Collaboration Forum between Scion and Callaghan Innovation to regularly share customer insights and market intelligence (initially from the AgriTech and Construction sectors), to collaborate on technology initiatives and industry sector priorities, and to develop complementary specialist R&D capabilities that reduce or remove overlaps while adding greater value to the businesses that both organisations work with.

The Scion ELT members present provided an overview of the Scion 2030 Strategic Plan, developed through an in-depth planning process. For AgriTech, areas of potential collaboration explored were: AgriTech Industry Transformation plan (ITP), Sprout (Tech accelerator and investment), AgriTech and ForestTech.

For Construction, in addition to 'Sustainable Construction', customer needs from the sector that are aligned to Scion's capabilities were explored collaboratively: high-value wood products, smart wood processing technologies, waste-to-value stream from bark, wood-fibre 3D printing and design, insulation materials (hemp, bark, natural fibres), BioPlastics or biopolymer products, bio-composite materials for building products and for packaging (mycelium-based and hemp). Specialist technical R&D capabilities were shared and potential for complementary capabilities and R&D collaboration identified (e.g. BioPlastics).

The visit followed a previous Callaghan Innovation visit to Scion and two visits by Scion ELT members to Callaghan Innovation's Gracefield Innovation Quarter over the previous six months. The buy-in to the collaboration initiative is positive and the engagement level is high, with both organisations connecting businesses to each other and to other specialist R&D capabilities within the innovation ecosystem.

Risks and issues

Covid-19 creates significant uncertainty for Callaghan Innovation, in terms of our commercial revenue, demand for our services, and ability to meet customer needs. To mitigate the risks created by the Covid-19 situation, Callaghan Innovation has developed a transitional organisational strategy and reprioritised the organisation's activities in line with the new strategic objectives. Further detail will be provided to the Minister of RS&I in a separate briefing, and we will report our progress against the transitional strategy in the report for the last quarter of the financial year.

COVID-19 impacts on Performance Measures

MCA Category 1: Building business innovation – number of customers who worked with Callaghan Innovation in the following services: Events, International Missions and Programmes

This performance measure is likely to be our most sensitive to Covid-19 impacts. It is forecast to drop by 300 over the next quarter if no events/delegations take place. A smaller drop is possible if virtual or some physical events take place within Q4, but major scheduled events (Fieldays, SaaSr 2020) are already cancelled and will not resume even if restrictions are lifted.

MCA Category 3: Research and development services and facilities for business and industry – number of customers with a Research and Technical Service project this financial year




This performance measure is likely to be impacted by Level 4 lockdown as RTS projects requiring onsite work are on hold. A fall of 50 is forecast in Q4 due to finished projects moving out of the reporting period – this may not be counterbalanced by new projects in Q4.

Targeted Research and Development Funding – percentage of Project Grant recipients who perceived that the grant-funded project had an overall positive impact on their business

This performance measure may be affected by changes to the Project Grant products (funding review) and Covid-19 response. A further drop of 50 is forecast if there are no new grants in Q4.





Performance measures

Callaghan Innovation operations: Multi-category appropriation

Performance measure	2018/19 Performance standard	2019/20 Performance standard	Progress to end Q3 FY 19/20	Status
Total number of organisations working with Callaghan Innovation on services this financial year	2600	2600	2936	
Net Promoter Score of all surveyed customers	+60	+60	+59	
Total number of organisations working with Callaghan Innovation and NZTE as a F700 customer	300	300	372	



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 Q3 FY 19/20	Status
Number of customers who worked with Callaghan Innovation in the following services: Events, International Missions and Programmes	1500	1200	1363	
Net Promoter Scores for Callaghan Innovation Services ¹ :		+30	+47	
• Events	+50			
• International missions	+50	+60	+67	
• Programmes	+50	+60	+59	



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

Category 2: Business research and development contract management

Performance measure	2018/19 Performance standard	2019/20 Performance standard	Progress to end of Q3	Status
Number of new project and student grant applications received during the financial year	New measure	700	1016	
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%	87%	

Last year we received significantly more Student Experience Grant and Project Grant applications than in previous years. However, at the end of the Q1 processing times began to reduce and processing times continued to improve.



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 Q3	Status
Net Promoter Score from Research and Technical Services, services	+60	+50	+36	
Number of customers with a Research and Technical Service project this financial year	175	240	280	


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 implement its new strategy and reorganise its customer engagement process is expected to positively impact RTS' Net Promoter Score.

National Measurement Standards

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





Performance measure	2019/20 Performance standard	Progress to end of Q3	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	<p>There were 98 technical procedures in validation on 1 April 2020, of which 6 were validated or revalidated during the three months from 1 January to 31 March 2020.</p> <p>In March 2020, IANZ carried out an annual surveillance assessment of MSL's technical sections and quality system. Two corrective action requests were raised during the assessment and will be completed by 30 June 2020.</p>	

Research and Development Growth Grants

Performance measure	2018/19 Performance standard	2019/20 Performance standard	Progress to end Q3 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%	76%	

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'.

Targeted Business Research and Development Funding

Performance measure	2018/19 Performance standard	2019/20 Performance standard	Progress to end of Q3	Status
Number of active Project Grants this financial year	New measure	570	583	
Net Promoter Score from Project Grants recipients	New measure	Baseline to be established	+77	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%	93%	
Percentage of Project Grant recipients who perceived that the grant-funded project increased knowledge acquisition	New measure	85%	93%	
Percentage of Project Grant recipients who perceived that the grant-funded project improved business productivity	New measure	85%	87%	
Net Promoter Score from Experience Grants recipients	New measure	+70	Survey conducted annually, results reported Q4	N/A

Repayable grants for startups

Performance measure	2018/19 Performance standard	2019/20 Performance standard	Progress to end of Q3	Status
Number of customers that received a service from either an incubator or accelerator	New measure	180	177	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 Q3	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 31 March 2020

	Actual \$m	Budget \$m	Variance \$m
Parent Surplus after non-operating items	2.5	(1.5)	4.0
Revenue	86.1	95.3	(9.2)
Expenses	84.6	97.2	12.6
Interest income and non-operating items	1.0	0.4	0.6
Cash and deposits	40.4	27.2	13.2

Commentary

The parent surplus for the nine months ended 31 March 2020 of \$2.5m is \$4.0m up on budget, driven largely by staff vacancies and savings across several other key costs.

Crown revenue is in line with expectations, however strong commercial revenue in Glycosyn year-to-date (+\$0.3m) has been more than offset by shortfalls in both Kiwistar (\$2.0m), and Research and Technical Services (\$1.3m). These shortfalls have been managed through reduced project delivery costs and tactical delays in hiring new staff.

The unfavourable revenue variance is primarily driven by the National Science Challenge (Contestable Funding) of \$6.3m although this is offset by equal savings on operating costs. This programme is behind the initially phased expenditure timing as several of the spearhead programmes have taken longer to initiate than expected. As this is a multi-year-appropriation, underspent funds will be rolled over into FY2021.

The balance of favourable expenditure variance totalling \$7.5m was driven by savings across a range of categories. The key drivers include:

- Personnel costs (\$1.9m) – several budgeted new roles YTD have not yet been filled, delivering significant salary savings. This has been partially offset by contractor spend year-to-date to fill immediate skill gaps, and additional recruitment costs as the rate of hiring picks up.
- Services and contracts(\$1.9m) – commercial revenue shortfalls in KiwiStar have resulted in similar sub-contractor savings.
- Travel (\$0.4m) – Better use of technology, and the scale back to only essential travel in recent months.
- Software licencing (\$0.7m) – driven by a deferral in the rollout of new applications.
- Consultancy and strategic initiatives (\$0.8m) – re-phasing the roll out and completion of several strategic initiatives across the organisation.
- Depreciation (\$1.0m) – a slower than planned rollout of this year's capex programme, with an initial focus on closing prior year projects, has resulted in a favourable depreciation variance.

Cash and term deposits remain well above budget, due to higher than expected opening cash balances (\$2.5m), changes in planned phasing of capital investment, and the YTD surplus of \$2.5m.

All output classes are favourable against budget.

YTD grants expenditure YTD is \$202.2m.

Preparation notes

All financials above are for the Callaghan Innovation Parent, *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.

Detailed financial results

All financials below are for the Callaghan Innovation Parent. Subsidiary results will be included in these financial results at year end but will not impact the overall Group result. It also includes results for the SFTI National Science (funding and operating costs) which has had a net nil impact on the Group's financial surplus YTD.

Statement of revenue and expense

Callaghan Innovation Parent

For the 9 months ended 31 March 2020

	Actual	Budget	Variance		Full Year Budget
	\$k	\$k	\$k		\$k
Revenue					
Crown operating					
Crown Funding - Other	-	-	-		1,413
Callaghan Innovation Funding	30,600	30,600	-		40,800
Strategic Investment	13,892	13,892	-		18,523
Business R&D Grants administration	5,812	5,813	(1)		7,751
National Measurement Standards	5,724	5,724	(0)		7,632
Programme Funding	2,534	2,534	-		3,378
Food Innovation Network	3,525	3,525	-		4,700
Total Crown operating	62,087	62,088	(1)		84,197
Crown contestable contracts and other	7,319	13,641	(6,322)		18,250
Commercial revenue					
Domestic Commercial	5,682	7,793	(2,111)		10,212
Overseas Commercial	8,989	9,875	(886)		13,352
Total Commercial revenue	14,671	17,668	(2,997)		23,563
Other Income	2,014	1,914	100		2,732
Total revenue	86,091	95,311	(9,220)		128,742
Expenses					
Personnel	40,945	42,946	2,001		57,578
Services and Contracts	16,425	23,118	6,693		30,697
Other costs	21,366	24,320	2,955		34,138
Depreciation	5,871	6,824	953		9,361
Total expenses	84,606	97,208	12,602		131,773
Operating surplus / (deficit)	1,485	(1,897)	3,382		(3,031)
Interest Income	915	433	482		581
Non Operating Income	81	-	81		-
Surplus / (Loss)	2,482	(1,464)	3,946		(2,450)

The following grants funding and expenditure occurred in the 9 months ended 31 March 2020:

	\$k
Grants funding from MBIE	201,975
Grants expenditure	(201,975)
Net Impact	0

Statement of financial position

As at 31 March 2020

	Actual	Budget	Variance		Full Year Budget
	\$k	\$k	\$k		\$k
Assets					
Current assets*	187,994	140,090	47,903		165,983
Non-current assets					
Fixed Assets	63,230	71,014	(7,783)		79,076
Investment in associates	9,610	9,373	238		9,373
Total assets	260,834	220,477	40,358		254,432
Liabilities					
Current liabilities*	(162,309)	(120,713)	(41,596)		(122,794)
Non-current liabilities					
Non-current employee entitlements	(328)	(299)	(29)		(299)
Total liabilities	(162,637)	(121,012)	(41,625)		(123,093)
Net assets	98,198	99,465	(1,267)		131,338

Statement of equity

As at 31 March 2020

	Actual	Budget	Variance		Full Year Budget
	\$k	\$k	\$k		\$k
Equity					
Capital	95,716	101,377	(5,661)		133,788
Current year surplus / (deficit)	2,482	(1,912)	4,394		(2,450)
Total equity	98,198	99,465	(1,267)		131,338

* includes the following estimated grants liability at 31 March 2020:

\$k

Current assets

MBIE grants receivable 141,047

Current liabilities

Provision for grants payable (141,047)

Statement of cashflow

For the 9 months ended 31 March 2020

	Actual	Budget	Variance		Full Year Budget
	\$k	\$k	\$k		\$k
Net cash flows from:					
Operating activities	15,706	2,736	12,970		6,545
Investing activities	(14,700)	(21,099)	6,399		(31,698)
Financing activities	-	8,600	(8,600)		41,070
Net increase / (decrease)	1,006	(9,763)	10,768		15,917
Add cash at start of period	39,435	36,995	2,440		36,995
Balance at end of period	40,441	27,233	13,208		52,912

Appendices

R&D Growth Grants Scheme

The Growth Grants scheme is now closed to new applicants, and we are forecasting to have deficit of (\$7.8m) in this appropriation at the end of the MYA period. The forecast has sensitivity both up and down dependent on customer demand. We will continue to monitor and reforecast this appropriation monthly.

Actuals	Cash Basis \$000	Accrual Basis \$000
Available Appropriation		
Establishment Appropriation	\$802,860	\$802,860
Adjustments FY17/18	\$25,789	\$25,789
Adjustments FY18/19	-\$4,850	-\$4,850
	\$823,799	\$823,799
Adjustments for 2019/20 - OBU '19	-\$34,490	-\$34,490
Adjustments for 2020/21 - OBU '19	-\$5,170	-\$5,170
Adjustments for 2021/22 - OBU '19	-\$830	-\$830
Gross Available Appropriation	\$783,309	\$783,309
Actual cash payments		
Claims paid in cash FY17/18	-\$141,618	-\$141,618
Claims paid in cash FY18/19	-\$192,899	-\$192,899
Claims paid in cash FY19/20 YTD	-\$155,819	-\$155,819
Total Paid	-\$490,337	-\$490,337
Accrual Movements		
Reverse opening accrual		\$60,000
Closing accrual		-\$111,482
Net Accrual movement		-\$51,482
Available Appropriation	\$292,972	\$241,490

Forecast	Based on Last 4 Payment Claims	Based on Customer Forecast
Scenario - Most Likely	Cash Basis \$000	Cash Basis \$000
Appropriation remaining	\$292,972	\$292,972
Less forecast commitments	-\$300,750	-\$351,052
Surplus/(Shortfall)	-\$7,778	-\$58,080
Scenario - 10% less	Cash Basis \$000	Cash Basis \$000
Appropriation remaining	\$292,972	\$292,972
Less forecast commitments	-\$272,219	-\$317,491
Surplus/(Shortfall)	\$20,753	-\$24,519
Scenario - 10% more	Cash Basis \$000	Cash Basis \$000
Appropriation remaining	\$292,972	\$292,972
Less forecast commitments	-\$329,281	-\$384,613
Surplus/(Shortfall)	-\$36,308	-\$91,641

Free and frank advice



Repayable Grants

	Forecast \$000
Appropriation available FY19/20	16,208
Appropriation brought forward prior year	1,457
	17,665
Tech Incubator	(1,868)
Founder Incubator	(2,365)
Accelerators	(900)
Repayable Loans	(5,042)
	(10,175)
Forecast underspend 30 June 2022	7,490

Measurement Standards Laboratory Report

Overview

- The Measurement Standards Laboratory (MSL) delivered training in traceable electrical energy measurement to the electricity industry this quarter. This training assists test houses to meet the Electricity Authority's Code of Practice requirements for electrical metering.
- MSL staff presented their work at the Metrology Society of Australasia (MSA) conference in Melbourne on 2-5 March. As well as connecting with industry users of our services, the conference provided an opportunity to connect with equivalent National Measurement Institute of Australia staff to further collaborations and strengthen relationships in support of our Trans-Tasman co-operation agreement.

Use of MSL capital appropriation

- \$2.72 million of capital expenditure has been approved against the full-year appropriation of \$3.44 million.
- In addition, preliminary business cases (stage 1) have been approved for major capital equipment items above \$100K and we expect to spend the entire full-year appropriation by 30 June 2020.

MSL's outputs

- 27 calibration jobs delivered to customers.
- 2 IANZ assessments of external laboratories carried out by MSL staff.
- 2 Proficiency Tests and 1 Technical Guide delivered.
- 77 Enquiries to info@measurement.govt.nz
- 1013 downloads of resources (e.g. technical guides, software) from measurement.govt.nz
- Measurement standards recalibrated for time distribution and electrical resistance.

International acceptance of New Zealand's measurement system

- An MSL staff member acted as an expert peer reviewer for Singapore's international audit of their light standards.
- MSL staff members also visited the National Measurement Institute of Australia to progress research collaborations on Length Standards and Temperature Standards between our two economies.
- MSL successfully completed its annual surveillance audit by IANZ in March 2020.

Actions to address MSL resilience

- Our measurement apprentice completed 3 weeks' work experience at Air New Zealand.
- The construction of the new MSL building interior is progressing well and was 96% complete as at 31 March 2020. However, completion is delayed due to unavailability of contractors to complete installation of the electrical screened rooms due to the COVID-19 pandemic.
- Construction is underway on the new MSL Time and Radiofrequency Laboratory in the Robertson Building café but it has also been delayed by the COVID-19 pandemic.

Financial performance

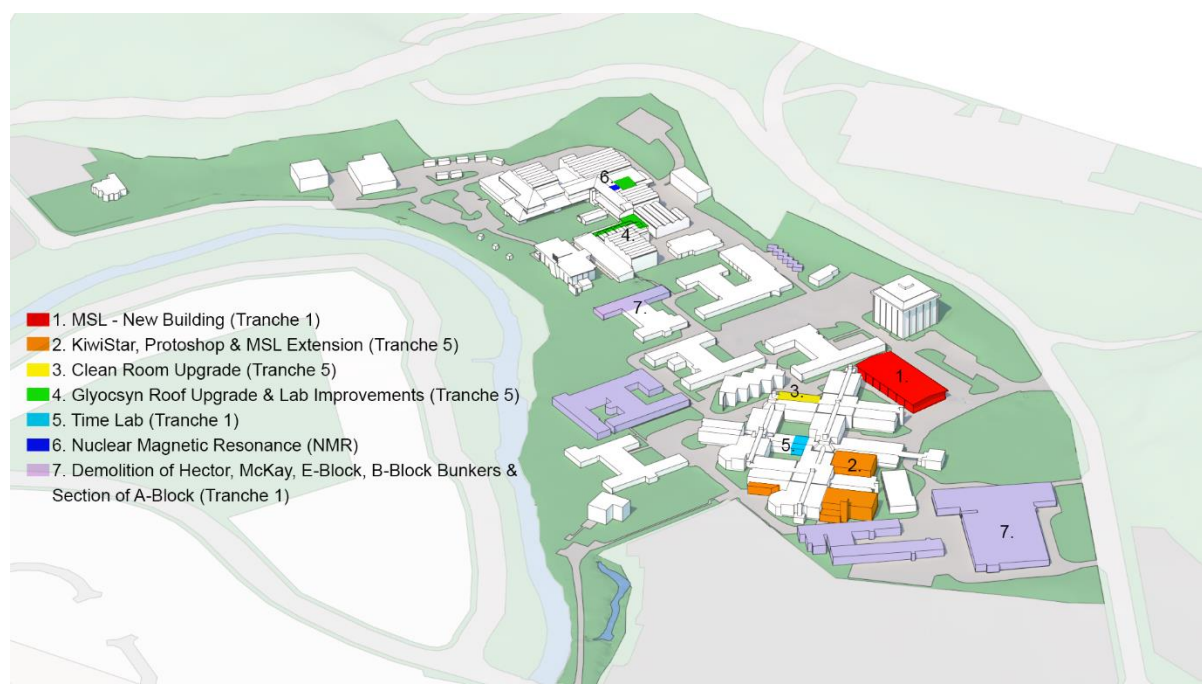
Statement of revenue and expense

For the 9 months ended 31 March 2020

Measurement Standards Laboratory	Dec-19 YTD			Full Year
	Actual	Budget	Variance	Budget
Revenue	\$k	\$k	\$k	\$k
National Measurement Standards	5,724	5,724	(0)	7,632
Strategic Investment	100	100	-	133
Total Crown Revenue	5,824	5,824	(0)	7,765
Domestic Commercial	417	437	(20)	582
Overseas Commercial	88	59	29	67
Total Commercial Revenue	505	496	9	649
Other Income	12	15	(3)	15
Total Revenue	6,341	6,335	6	8,429
Expenses				
Personnel	3,335	3,439	104	4,582
Services and Contracts	38	124	85	140
Other Costs	741	498	(243)	658
Depreciation	569	671	102	956
Total Expenses	4,683	4,732	48	6,336
Contribution Margin	1,657	1,603	54	2,094
Indirect Expenses	1,862	1,665	(197)	2,221
EBIT	(204)	(62)	(143)	(128)

Overall MSL is running close to budget with indirect expenses slightly ahead this quarter.

Gracefield Innovation Quarter (GIQ) Programme



Gracefield site map with key GIQ Programme project sites identified.

Our highlights this quarter

Programme Organisation

- Recruited critical roles in GIQ Programme team, including:
 - Delivery Lead responsible for delivery of the capital works projects and leading critical infrastructure projects.
 - Revit Specialist responsible for providing accurate digital representation of architectural, structural and building services assets.
- Supported the development and trialled multiple tools that now form part of 'He rangi hou kei tua,' the newly implemented Change Management Framework for Callaghan Innovation.

Tactical Estates Continuity Programme

- Fit-out of the new building for the Measurement Standards Laboratory (MSL) progressed well. All major building work has been completed with only final commissioning and installation of screened rooms to be completed.
- Issued an open and competitive tender for a contractor to undertake the demolition and asbestos removal of Hector and MacKay buildings, E Block, B Block bunkers and a section of A Block.
- Closing out of the final aspects of the procurement process to find a design team to commence design work for projects for KiwiStar, MSL and Protoshop to ensure our commercial businesses have appropriate workspaces. The project manager and quantity surveyor have been engaged.
- Commenced a procurement process for consultants to contribute to the Detailed Business Case for the HVAC maintenance and replacement project.

- Procurement of the contractor to complete the GlycoSyn re-roofing work is underway. The procurement strategy for laboratory refurbishment is being reviewed.
- Construction commenced on the refurbishment of the microfabrication cleanroom facility following the appointment of Hawkins as main contractor. The work was expected to be completed in November 2020, however the timelines will be reviewed given the impact of Covid-19.
- Construction commenced on the new laboratory for MSL's Time and Radio Frequency Teams. The work was expected to be completed in July 2020, however the timelines will be reviewed given the impact of Covid-19.
- Confirmed the contractors and are in the process of finalising the contract for the construction and fitout of the new laboratories and meeting spaces at the Textile Centre in Auckland. Construction was on track to commence in the first week of April 2020, however the timelines will be reviewed given the impact of Covid-19.
- Completed construction to fit out a room to meet the requirements of the new Nuclear Magnetic Resonance Suite purchased. The room is located within the processing building, which is a strategic asset for the site, and therefore investment into this building has long term benefits.
- Delivered an Asset Management Policy for Callaghan Innovation that will feed into the development of the Asset Management Strategy. We also completed several asset criticality workshops with subject matter experts, which is an important part of prioritising asset management plans.
- Change Specialist activity commenced with benefit owners to identify the specific actions required by them and their teams, to ensure realisation of benefits over the relevant time period.

Strategic Services Programme

- Completed the Strategic Services Programme 'Discovery' phase work to enable the programme to commence consultation planning work required to develop the Programme Business Case.
- An initiative to commence work on pursuing a proposal for an early phase of redevelopment was agreed by the Programme Board and endorsed by the Governance Group. The initiative involves developing a project to deliver a Biotechnology Hub at Gracefield; this early phase of development would also be a prototype for future redevelopment at Gracefield. We are working closely with GlycoSyn, our Biotechnologies group, and Ferrier Institute (Victoria University of Wellington) about how the project could enhance the existing capability they have, as well as developing new capability and identifying potential partners who would contribute to the aspiration of delivering a national hub for biochemistry and chemistry.
- Identification of a workstream to develop the Gracefield site wide masterplan and commenced planning for procurement of master-planning services.
- Ran a successful event at Gracefield on 11 February to celebrate International Day of Women and Girls in Science, with 45 local school children visiting Gracefield and learning with our women scientists, engineers and researchers. We received excellent feedback from this event and are intending to make it an annual event with Callaghan Innovation working with Hutt Science to reach out to local schools.
- Completed a 'shovel ready' application as part of the governments stimulatory package to support both the construction industry and the wider economy in the wake of Covid-19.

Our focus next quarter

Programme Organisation

- Recruitment will continue for key positions, including:
 - Additional Project Managers to manage the delivery of projects for the Tactical Estates Continuity Programme.
- Implement the recommendations from the Treasury Gateway Review and prepare for the next Gateway Review tentatively scheduled for mid-2020.

Tactical Estates Continuity Programme

- Complete fit-out of new MSL building and hand over to MSL to commence a 12 month move in project. This was expected to occur in April 2020, however timelines will be reviewed given the impact of Covid-19. Develop a Change plan and associated engagement activity to ensure the embedding of new processes for staff and stakeholders throughout the move-in project.
- Complete external design team procurement for projects to support the growth of our commercial businesses, KiwiStar, MSL and Protoshop. Preliminary design work is expected to be completed in April 2020, however timelines will be reviewed given the impact of Covid-19.
- Appoint contractor to complete the re-roofing of the GlycoSyn building. Complete the detailed design for laboratory space that is to be refurbished.
- Appoint a contractor to undertake asbestos removal and demolition work. The work was forecast to commence in mid-2020, however the timelines for this will be reviewed given the impact of Covid-19.
- Finalise the package of work and submit the Detailed Business Case for the HVAC maintenance and replacement project. The timelines for this will be reviewed given the impact of Covid-19.
- Commence priority Tranche 3 projects which recognised that the existing hazardous goods handling, chemical storage and utilities infrastructure across the site are no longer fit for purpose. Project Initiation Documents will be prepared for 'Hazardous Goods' and 'Site Wide Infrastructure'.
- Deliver the Asset Management Strategy to define and align Callaghan Innovation's asset management approach with best practice (ISO 55000). This will ensure important business decisions, such as the prioritisation and approval of asset investments, and preventative maintenance scheduling, are based on sound, robust and transparent principles.
- Roll out of Callaghan Innovation's Overlapping PCBU Duties Framework and training for the GIQ Programme's construction works.
- Completing design guidelines to inform future investment, support uniformity across Callaghan Innovation's workplace facilities, and align with expectations for government workplaces. Callaghan Innovation's specific technical workplaces, including laboratories, workshops and hazardous chemical storage spaces will also be captured in the design guidelines.
- Develop greater understanding and accountability for final outcomes by benefit owners, and input to programme and project governance to ensure ownership of the agreed outcomes.

Strategic Services Programme

- Implementing the Programme Preparation Plan which involves organisation of the programme team and identification of resources, together with development of the stakeholder engagement strategy.

- Completing documentation required and commencing procurement of a preferred supplier to undertake the design work related to the masterplan. This work will include stakeholder engagement and workshops with Callaghan Innovation groups at Gracefield and also key partners.
- While in early stages of developing the programme plan, the Biotech Hub proposals will continue to be socialised with key stakeholders and MSP framework documentation and plans actioned to enable development of an Indicative Business Case later in the year.

Financial Performance

- The Tactical Estates Continuity Programme is a significant capital programme. During Q3 capital expenditure of **Negotiations** was incurred, taking the programme's life-to-date expenditure at 31 March 2020 to **Negotiations**.
- The following table outlines capital expenditure to 31 March 2020:

Negotiations

- Tranche 1 Emergency Response Works continued to be the main source of expenditure during the quarter. This was driven by the fitout work for the new MSL building with **Negotiations** spent on this in Q3.
- In addition, some expenditure was also incurred during the quarter on HVAC (Tranche 2), preliminary work on site-wide infrastructure (Tranche 3), and business growth workspaces for KiwiStar, Protoshop & MSL, and the microfabrication cleanroom (Tranche 5).
- Looking forward to Q4, expenditure on the MSL building will tail off as the project reaches completion. Expenditure will begin to pick up on the Time Laboratory, Microfabrication Cleanroom, and GlycoSyn laboratory refurbishment and roof replacement projects.
- Q4 expenditure will however be impacted by the COVID-19 pandemic — due to construction work ceasing on site for a period in response to the move to Alert Level 4, and disruption to material and equipment supply chains.
- Expenditure in Q4 was previously forecast to be approximately **Negotiations**. This will take forecast capital expenditure for the Programme to **Negotiations** for the 2019/20 financial year, and to **Negotiations** on a life-to-date basis by 30 June 2020.
- The programme is also supported by funding for operating expenditure, which is outlined in the table below:

Negotiations

- The costs of the GIQ Programme Office covers the cost of establishing the programme management framework, Gateway Reviews, and the ongoing personnel and overhead expenses associated with delivering significant capital works and strategic programmes. Costs are forecast to be higher than budget, which is primarily due to:
 - Less internal staff time being capitalised in the early stages of the programme.
 - Higher than anticipated use of consultants during the initial programme set up, due to limited availability of suitably qualified personnel in the marketplace.
 - Organisation-wide Managing Successful Programmes training and ePMO establishment costs.
- The forecast overspend has been approved by the Senior Responsible Owner. Overall, forecast GIQ operating expenditure is still well within the **Negotiations** funding provided for 2019/20.
- Procurement for the demolition and asbestos removal work commenced in Q3, with the intent of having a contract in place by 30 June 2020. However, with potential suppliers restricted in their ability to assess the site due to the COVID-19 response, there is some risk to this timeframe. To manage some of this risk, an in-principle expense transfer is being investigated, which would enable a portion of the funding for the work to be transferred to the following financial year — if required
- The Programme Business Case included funding for the depreciation costs arising from the investment in GIQ assets — these will begin to pick up in Q4 with the completion of the MSL Building.