

Quarterly Report to the Minister of Research, Science, and Innovation

For the fourth quarter ending 30 June 2020

Introduction

This report provides an update on our performance for quarter four 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.

Table of contents

Introduction	2
Our strategy	4
COVID-19	12
COVID-19 project.....	12
Building the critical foundations	13
Our milestones this quarter:	14
Our focus for the next quarter:.....	15
Empower innovators	16
Our milestones this quarter:	16
Our focus for the next quarter:.....	17
Show the future	18
Case study: Turning COVID-19 lemons into lemonade	18
Connect the ecosystem	19
Case study: One year of Scale-Up NZ.....	19
Risks and issues.....	20
Performance measures	21
Callaghan Innovation operations: Multi-category appropriation.....	21
National Measurement Standards.....	23
Research and Development Growth Grants	23
Targeted Business Research and Development Funding	24
Repayable grants for startups	25
Future-proofing New Zealand's Manufacturing Sector by Driving Industry 4.0 Uptake and Skills Development	25
Financial summary.....	26
R&D Growth Grants Scheme	31
Targeted Business Research and Development Grants	33
Repayable Grants	34
Gracefield Innovation Quarter (GIQ) Programme.....	38

Our strategy



Strategic priorities for 2019/20

FY 2019/20 is the second year of our five-year strategy. Our strategy includes three transformation programmes (falling under a fifth strategic pillar: 'Building the critical foundations'). It also includes four projects that improve how we serve customers, and are aligned to our strategy:

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



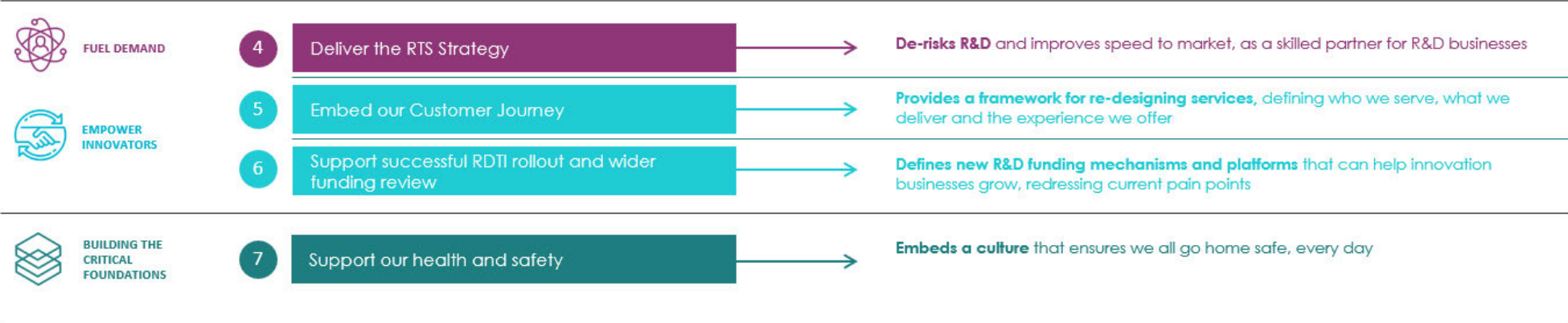
We have organised our programmes/projects into portfolios. The integrated portfolio approach encourages collaboration, breaks down silos, and helps uncover interdependencies – all of which helps us execute our strategy.

Our portfolios

THREE TRANSFORMATION PROGRAMMES



FOUR STRATEGIC PROJECTS





Digital Transformation Programme – FY20 Plan

We aim to create and enable digital experiences that strengthen collaboration, accessibility, and innovation across the innovation sector. We focus on implementing digital platforms, products and processes that are fit for purpose and increase staff collaboration, efficiency, and confidence. We support organisations to be more agile 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 (BCMs) trained and onboarded. 3. Rest of organisation trained and onboarded. 	<ol style="list-style-type: none"> 4. Discovery, design and CoreIT delivered H1 (complete) 5. Early adopters, Google Guides and BCMS trained and onboarded H1 (complete) 6. Training and roll out to organisation ready for rollout in FY21, H1 (in progress) 	<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"> 5. Requirements defined H1 (complete) 6. Network design completed H2 (complete) 7. Detailed business case delivered H2 (complete) 8. Auckland and Christchurch ready for delivery FY21, H1 (in progress) 9. Asteron House and GIQ ready for delivery FY21, H2 (in progress) 	<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.

<p>Data architecture redesigned</p>	<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"> 6. Requirements defined H1 (complete) 7. Preliminary business case and RFI/RFP completed H1 (complete) 8. Preferred supplier identified and business case ready for delivery FY 21, H1 (in progress) 9. Platform build underway and to be completed FY21, H1 (in progress) 	<ul style="list-style-type: none"> • Trust in the accuracy of data. • Ability to easily add, share, integrate and aggregate data from different sources through the use of APIs. • Increased capabilities for data analysis and presentation.
<p>New grants platform</p>	<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"> 6. Requirements defined H2 (complete) 7. RFI/RFPs to be completed FY21, H1 (in progress) 8. Supplier confirmed and implementation underway FY 20, H2, and FY21 H1 (in progress) 9. Platform to be delivered FY21 H1 and H2 (in progress) 	<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

This programme is about transforming our Gracefield site into a national hub for innovation, to contribute to New Zealand's economic development. We want to create an environment for the GIQ Community to do their best work, where it is 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 (in progress). 2. Identify potential site partners and develop partnership agreements for the future GIQ Community (in progress). 3. Target Green-Amber for the result (not achieved). 	<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 (complete). 2. Fully re-locate to the Textile centre (in progress). 	<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. 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 (fitout complete, move-in project underway). 2. Business cases approved (partially complete). 3. Complete strategies (monitoring and control; Risk; Procurement; investment framework; quality and assurance and information strategy) (complete). 	<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 (complete). 2. Teams trained and understand benefits of MSP methodology (complete). 3. Embed new GDGG, embed programme board and project boards (complete). 	<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

Tātai Whetū comes from Callaghan Innovation's whakatauākī (proverb). Translating to 'reach for the stars', it encompasses our goal of giving exemplary customer service. The programme seeks to improve how we operate, with a specific focus on culture and process. Completing the programme will enable us to:

- increase our impact on the innovation ecosystem
- speed up New Zealand's transition to a digital economy
- improve our people's wellbeing and our planet's health
- be a world class government agency and exemplar of innovation.

Strategic priority	Committed Programme of work	FY20 Milestones	Long term measures of success (FY21-23)
Tātai Whetū Programme	<ol style="list-style-type: none"> 1. Discovery phase July/October 2. Identify phase November/December 3. Define phase January/March 4. Delivery phase March onwards 	<ol style="list-style-type: none"> 1 Current state assessment (complete) 2 Programme identified (complete) 3 Engagement with organisation including investment logic mapping (ILM) (complete) 4 Programme defined (complete) 5 Strategic Business Case approved (complete) 6 Programme delivery underway (in progress) 	<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, we merged elements of the Customer Journey and the RTS Strategy Implementation project into one Customer Experience (CX) Project. The CX Project now sits under the Tātai Whetū Programme.

Strategic Projects – FY20 Plan

These four projects are our highest priorities for progressing our strategy in year two. We continue to find overlaps among projects. For example, embedding the Customer Journey is critical for us to roll out the RDTI as well as redesigning RTS services.

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 (partially complete) New services scoped/designed by end of H2 (partially complete) 	<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 and 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 (complete) Funding review completed and agreed (not completed due to COVID-19 pivot) Education campaign rolled out (complete) Impact on CI staff and customers identified, action plan agreed (complete) Customer experience and process remodelled – (in progress) 	<ul style="list-style-type: none"> Growth in business R&D spend to 2% of GDP by 2027 Number 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 (complete) Retrofit plan for existing customers (complete) Pilot for new account plan (Health Tech prototype complete) Number of pilots for services redesign in FY21 (in progress) 	<ul style="list-style-type: none"> Customer revenue and FTE growth is higher than counterfactual Services NPS increase by 10% year on year
Health and safety project	<ul style="list-style-type: none"> H&S critical risk PCBU framework Callaghan 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 - (complete) 	<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

Q4 Progress report

COVID-19

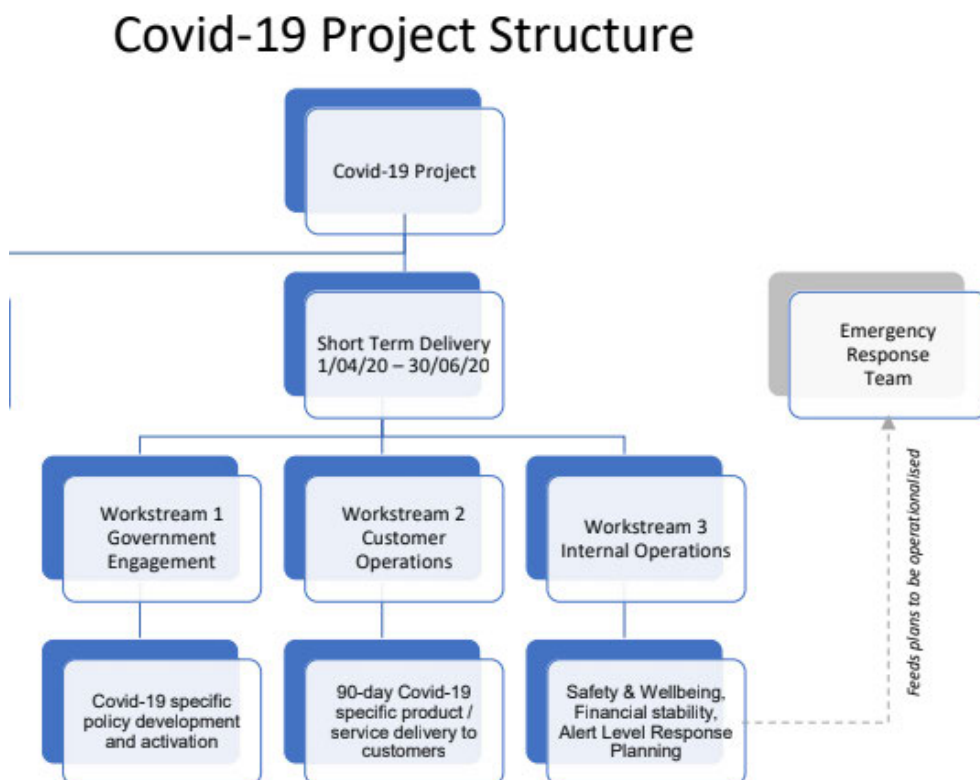
New Zealand went into lockdown due to COVID-19 just before the end of Q3. We took some emergency measures including closing our sites in Auckland, Wellington, and Christchurch – and strictly limiting access to our Gracefield site to essential workers.

In response to the pandemic we developed a six-to-nine-month transitional strategy to ensure we contribute to the future of New Zealand by remaining operationally and financially resilient while successfully transitioning to a post COVID-19 world:

#	Strategic Driver Name
1	Keeping our people safe, healthy and meaningfully employed
2	Financial stability and resilience
3	Accelerating foundational capability delivery
4	Enabling customers to navigate and survive the COVID-19 global pandemic
5	Keeping the lights on
6	Accelerating strategic engagement and importance to Government

COVID-19 project

From Q4 we stood up a COVID-19 Project with three workstreams:



Through Workstream 1 we introduced support measures including working with:

- Inland Revenue to bring the R&D Tax Incentive (RDTI) refundability forward to Year 1, providing cashflow for loss-making businesses
- MBIE to help evaluate applications for the Innovation Accelerator Fund
- MSD to extend the Wage Subsidy to pre-revenue businesses
- MBIE and Treasury to introduce a Short-Term R&D Loan Scheme.

Through Workstream 2 we introduced relief options for customers, including:

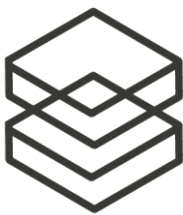
- flexibility with contract terms e.g. allowing 12-month extensions on Project, Getting Started, Career and Fellowship Grants
- allowing Growth Grant customers to claim payments in advance during Q4
- changing our Ministerial Direction to allow Growth Grant customers to claim for temporarily redeploying R&D staff to other business areas
- suspending interest accrual and repayments for startups with Technology Incubator Repayable Loans
- identifying target customers and funding consultancy services through a Business Boost Voucher Scheme.

Through Workstream 3 we:

- supported 96 per cent of our staff to immediately transition to working from home in Alert Level 4
- set up return to work protocols including contact tracing under Alert Level 2
- undertook financial modelling and impact analysis to forecast budgets for our annual Statement of Performance Expectations and internal budgeting processes.

We have included more detail around these and other initiatives coming out of the COVID-19 Project where relevant throughout the Progress Report below. We have also identified the performance measures most affected by COVID-19 in the Risks and Issues section on page 20.

Building the critical foundations



Foundation initiatives to drive our ambition.

Our integrated portfolio approach to strategy prioritises our three transformation programmes as essential to successful delivery of all projects. Through our dedicated enterprise project management office (ePMO) we:

- track programme progress
- ensure strategic alignment and consistency across programmes and projects
- provide guidance, governance, standardised process and project management, portfolio management best practice, and tools such as our change framework.

Our milestones this quarter:

Digital Transformation Programme

- ✓ Successfully Integrated Funding Optimisation work into Digital Transformation Programme
- ✓ Successfully Integrated Iho Matihiko (New Digital Channel) successfully into Digital Transformation Programme
- ✓ Delivered Indicative Business Case for Funding Optimisation Platform (Grants Replacement)
- ✓ Delivered Indicative Business Case for Iho Matihiko
- ✓ Successfully delivered, and received approval on the project mandate for SharePoint replacement project and commenced writing of Detailed Business Case
- ✓ Commenced Network Optimisation Project delivery

GIQ Programme

- ✓ Completed new Measurement Standards Laboratory (MSL) building fit-out and handed over to MSL to commence a 12-month move-in project
- ✓ Commenced microfabrication cleanroom facility refurbishment construction at Gracefield and new laboratories and meeting spaces construction at Textile Centre in Auckland
- ✓ Revised Master Programme following a recommendation from Treasury Gateway Review to align it with when funding was received
- ✓ Approved the Detailed Business Case for the demolition and asbestos removal project
- ✓ Completed workshops with leaders from across Callaghan Innovation discussing some of the roles that our organisation could play at GIQ in the future

Tātai Whetū Programme

- ✓ Embedded programme governance structure
- ✓ Reviewed and actioned opportunities to accelerate pieces of work within the programme
- ✓ Received approval for Vision
- ✓ Current state Operating Model documented, and workshops completed to determine options for Future State
- ✓ Change Framework *He rangi hou kei tua* rolled out to staff via a series of engagement and feedback/input sessions to support embedding into organisation
- ✓ Customer Experience Phase One (focused on the HealthTech portfolio) delivered prototypes for testing to better guide customers and prepare them for full-service engagement

Health and Safety

- ✓ Two new Wellbeing initiatives introduced: Life Admin day and Volunteer days for all staff, reflecting several aspects of the Five Ways to Wellbeing
- ✓ Person Conducting a Business or Undertaking (PBCU) draft framework developed and in pilot with GIQ and Facilities to inform testing with the wider organisation

- ✓ Procedures to manage Callaghan Innovation's responsibilities as a manufacturer, importer, designer, and supplier (MIDS) beta-tested with the organisation
- ✓ Design phase of Critical Risks workstream provided a preliminary recommendation for critical risks that Callaghan Innovation should manage

Our focus for the next quarter:

Digital Transformation Programme

- Ensure that Projects adopt and deliver on the new Change Framework
- Transition from MS Office to G Suite
- Continue with Network Optimisation project delivery
- Complete RFP & Detailed Business Case for new Data Integration Platform
- Commence Funding Optimisation Platform delivery phase
- Commence Iho Matihiko (New Digital Customer Experience) delivery phase
- Deliver Detailed Business Case for SharePoint Replacement project
- Commence SharePoint Replacement project delivery phase.

GIQ Programme

- Commence construction of the new laboratory for MSL's Time and Radio Frequency Teams, and a partial roof replacement in the Processing Building for GlycoSyn
- Prepare several Detailed or Indicative Business Cases as projects move towards delivery phase
- Commence work on priority projects within Tranche 3 (site-wide infrastructure and hazardous goods) and Tranche 4 (flexible offices and flexible laboratories)
- Regular engagement with staff and tenants on the increasing construction activity at Gracefield, with a focus on safely managing the logistics of traffic, people, and materials around the site
- Finalise appointment of the preferred supplier and commence design work related to the Gracefield site wide Master Programme
- Prepare two Strategic Assessments – one for the overall Strategic Services Programme and the second for the Biotechnology Hub
- Prepare for the Treasury Gateway Review scheduled for September 2020.

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

Tātai Whetū Programme

- Commence detailed design of the next layers of Future State Operating Model
- Embed our change framework - *He rangi hou kei tua* - into business as usual
- Begin Phase 2 of the Customer Experience project which aims to ensure we are best preparing customers for full-service engagement
- Continue planning the enterprise risk policy and framework
- Prepare for refreshing our organisational values.

Health and Safety

- Develop, communicate, and initiate a three-year H&S Strategy and Workplan
- Pilot updated PCBU overlapping duties framework in the wider organisation with an initial focus on contractor management
- Incorporate beta-test feedback into an improved PCBU MIDS procedure and roll out to organisation
- Review Critical Risk (CR) Framework and lock in Callaghan Innovation's critical risks. Develop the CR and critical control management procedures and initiate a pilot to implement one CR in the organisation
- Update our hazardous good procurement processes and action CIMS review findings.

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

- ✓ After a pause on all advertising in April due to lockdown, continued RDTI Education and Engagement Campaign in context of COVID-19 support measures. This included advertising refundability to support loss-making business R&D continuity, directing traffic to Hub content, and ongoing execution of Stakeholder Action Plan via online meetings
- ✓ Began implementing pilot findings and feedback into RDTI application assessment processes to continuously improve customer experience
- ✓ Completed first RDTI Criteria and Methodologies (CAM) process for a Significant Performer
- ✓ Pivoted funding review and grants policy development to COVID-19 support measures, including introducing relief options for customers with R&D Grants and repayable loans, and standing up the Short-Term R&D Loan Scheme

Industry Partnerships

- ✓ Continued contract negotiations with our four selected Technology Incubator partners and continued to implement operational improvements for the Technology Incubator Programme. This work was delayed due to resources being redeployed to COVID-19 response, so was not completed in Q4 as anticipated

- ✓ RTS Industry Futures group resourced Senior Delivery Lead and Contract and Delivery Manager to actively manage the Industry 4.0, NZ Product Accelerator (NZPA) and NZ Bio-Processing Alliance (NZBPA) initiatives
- ✓ Findings of the NZPA operational review endorsed, citing a good basis for the institutions to work more closely together, harnessing unique, complementary capabilities to deliver a better service for customers
- ✓ Started NZBPA operational review of the Bio-Processing Alliance, results expected by the end of August
- ✓ Started detailed design work with Industry 4.0 Demonstration Network delivery partners (Beca and EMA)

Our focus for the next quarter:

RDTI and wider Funding Review

- Transition RDTI Education and Engagement Campaign to BAU marcomms and stakeholder engagement
- Continue implementing RDTI applicant feedback into processes to continuously improve customer experience
- Progress Criteria and Methodologies (CAM) processes with more Significant Performers
- Monitor and evaluate uptake and effectiveness of COVID-19 support measures, including relief options for customers with R&D Grants and repayable loans, and the Short-Term R&D Loan Scheme.

Industry Partnerships

- Launch Industry 4.0 Workshops in Q1 and complete Mobile Showcase detailed design, alongside a first release website and coordinated marketing plan
- Detailed project planning to form closer ties and new efficiencies with both NZPA and NZBPA, including planned presentations and cross agency engagement.

Show the future



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

Case study: Turning COVID-19 lemons into lemonade

The COVID-19 pandemic saw businesses close and economies falter. Yet some of our customers met its challenges head on, or even thrived. In the words of Aroha Armstrong, Group Manager Māori Economy, featured on TVNZ's *Sunday* on 28 June: "We've got so many businesses that have found this crisis really difficult. But we need to look at some of the opportunity that the COVID crisis has drawn out."

Robotics Plus

Robotics Plus, which supplies robotics and automation tech, is a good example. From humble beginnings in the apple industry, it now supplies around 51 robotic packing systems globally.

With the pandemic shutting down borders, labour supply in the fruit industry was impacted. Tourists are traditionally a strong source of labour for fruit picking, yet travel was at a standstill. Because the company's fruit picking technology replaces human hands with robotic ones, demand skyrocketed. Taking advantage of this, Robotics Plus sold more product than ever during lockdown and rather than letting people go hired more staff.

Aqua Fortus

Aqua Fortus provides recycling technology that eliminates industrial wastewater faster and more affordably than other methods. Instead of faltering when international trade shows were cancelled and some investors got cold feet, the company urgently switched tack. It dived headfirst into using digital options like webinars, Zoom calls, and digital marketing to find and share its product with potential new customers. The result: plenty of new enquiries and buyers.

Soul Machines

Soul Machines, another COVID-19 success story, used the lockdown period to develop a digital healthcare worker called Bella. The World Health Organisation quickly saw Bella's potential and partnered with the company to create its own digital frontline health worker called Florence. Florence dispels myths, answers questions and dispenses advice on COVID-19. She also helps tobacco users to quit. She went live in July 2020.

New Zealand companies have been leaders in innovating to thrive through the COVID-19 crisis. In Ms Armstrong's words, "We've got the goods to change the world."

Connect the ecosystem



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

Case study: One year of Scale-Up NZ

Just as COVID-19 was leaving its swift and widespread impact on our business landscape, our Scale-Up NZ virtual networking platform marked its first anniversary.

Scale-Up NZ helps businesses find and connect with the people, capital, and other help they need to grow. As of March, customers can apply a 'coronavirus' tag to their business listing on the platform indicating that they have the capability to contribute to a COVID-19 response.

"We already have close to 200 business using that tag. That is going to be incredibly helpful as businesses mobilise towards recovery and need to connect with the right expertise," says Rosie Spragg, Strategic Platforms and Operations Manager.

Many of these businesses have deployment-ready solutions across a range of sectors including HealthTech, software, industrial technology, Agritech, food and beverage and clean tech, as well as capabilities including clinical workflow, patient engagement, assistive devices, diagnostics and social and mental support.

"We surveyed our customers at different stages of lockdown and one of the messages that came through from a lot of them was a desire to pivot their operations, or R&D to be a part of their COVID-19 response. Adding that 'coronavirus' tag makes it that much easier for those businesses to find each other, to share expertise and resources, or source investment."

Scale-Up NZ receives about 4,000 visitors per month and has more than 1,600 listings, making it a great place for businesses to start looking for the help, skills, or knowledge they need. More than \$560m in total has been invested in companies on the platform, which also has 90 listings for investors and more than 140 hubs, including entrepreneurship accelerators, corporate accelerators, and co-working spaces.

"The point is startups and innovators can't be experts in everything. This platform connects them with the expertise they need, that others already have," Spragg says.

"The stories that businesses have shared are inspiring. Some have secured an investor; others have found partners with unique technical abilities to help them innovate and have gained useful insights into the New Zealand innovation ecosystem."

"Our key focus is to help New Zealand businesses build those all-important local and global connections, so they can grow, innovate and help to boost the New Zealand economy – that is more important now than ever."

Risks and issues

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

The number of customers who have worked with Callaghan Innovation in International Missions and Programmes during the rolling 12-month window has remained relatively constant throughout FY20. As anticipated, the number of customers who have attended events has fallen ~25 per cent as physical events have been cancelled since early March due to COVID-19. The number of international mission customers will drop off in FY21, as all in-person international missions are delayed or cancelled.

Research and Development Growth Grants - percentage of businesses receiving a Growth Grant that maintain or increase eligible R&D expenditure over the grant period

The customer financials used to assess this measure are collected as part of grant or extension applications. Since the scheme is now closed, the pool of data available to support this measure is shrinking, compromising its robustness.

Free and frank advice






Other issues

Trends Publishing International Ltd liquidation

A former Callaghan Innovation grants customer Trends Publishing International Ltd was put into liquidation in November 2019. For some time, we worked with our legal advisors to pursue Trends but were unsuccessful in recovering any funds. The matter is now closed.





Performance measures

Callaghan Innovation operations: Multi-category appropriation

Performance measure	2018/19 Performance standard	2019/20 Performance standard	Progress to end Q4 FY 19/20	Status
Total number of organisations working with Callaghan Innovation on services this financial year	2600	2600	2840	
Net Promoter Score of all surveyed customers	+60	+60	+74	
Total number of organisations working with Callaghan Innovation and NZTE as a F700 customer	300	300	386	



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 Q4	Status
Number of customers who worked with Callaghan Innovation in the following services: Events, International Missions and Programmes	1500	1200	1083	
Net Promoter Scores for Callaghan Innovation Services ¹ :		+30	+48	
<ul style="list-style-type: none"> Events 	+50			
<ul style="list-style-type: none"> International missions 	+50	+60	+69	
<ul style="list-style-type: none"> Programmes 	+50	+60	+74	



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 Q4	Status
Number of new project and student grant applications received during the financial year	New measure	700	968	
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%	89%	

Last year we received significantly more Student Experience Grant and Project Grant applications than in previous years. However, as at Q4 processing times have 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 Q4	Status
Net Promoter Score from Research and Technical Services, services	+60	+50	+47	
Number of customers with a Research and Technical Service project this financial year	175	240	256	


There is work underway to improve Voice of Customer 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.

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

National Measurement Standards





Performance measure	2019/20 Performance standard	Progress to end of Q4	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	Completed	
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 101 technical procedures in validation on 1 July 2020, of which 7 were validated or revalidated during the three months from 1 April to 30 June 2020.</p> <p>In March 2020, IANZ carried out an annual surveillance assessment of MSL's technical sections and quality system. There were two corrective action requests raised during the assessment, which have both now been cleared by IANZ.</p>	

Research and Development Growth Grants

Performance measure	2018/19 Performance standard	2019/20 Performance standard	Progress to end of Q4	Status
Percentage of businesses receiving a Growth Grant that maintain or increase eligible R&D expenditure over the grant period ³	70%	70%	79%	

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 Q4	Status
Number of active Project Grants this financial year	New measure	570	578	
Net Promoter Score from Project Grants recipients	New measure	Baseline to be established	+75	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%	91%	
Percentage of Project Grant recipients who perceived that the grant-funded project increased knowledge acquisition	New measure	85%	91%	
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	+93	N/A

Repayable grants for startups

Performance measure	2018/19 Performance standard	2019/20 Performance standard	Progress to end of Q4	Status
Number of customers that received a service from either an incubator or accelerator	New measure	180	194	G
Net Promoter Score from startups who have worked with incubator/accelerator	New measure	Baseline to be established	N/A	+75

As repayable grants are administered by third parties, we do not have data to report on the previous measure 'Percentage of surveyed startups who agree that they have gained business or commercialisation skills due to working with the incubator/accelerator' however due to changes in contract conditions with newly-appointed providers we can now report NPS figures - which is consistent with the approach for our other service categories.

Future-proofing New Zealand's Manufacturing Sector by Driving Industry 4.0 Uptake and Skills Development⁴

Performance measure	2018/19 Performance standard	2019/20 Performance standard	Progress to end of Q4	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 Service category is new, no services delivered to date.

Financial performance

Financial summary

Key Financial Indicators to 30 June 2020 [Subject to audit]

	Actual \$m	Budget \$m	Variance \$m
Group surplus after non-operating items	8.7	(2.5)	11.1
Revenue	122.0	128.7	(6.7)
Expenses	114.6	131.8	17.2
Interest income and non-operating items	1.2	0.6	0.6
Cash and deposits	61.0	52.9	8.1

The Callaghan Innovation Group includes the parent (Callaghan Innovation), two operating subsidiaries (New Zealand Food Innovation (South Island) Limited and New Zealand Food Innovation Auckland Limited), as well as one equity accounted associate (New Zealand Food Innovation (Waikato) Limited).

Commentary

The Group surplus for the full year of \$8.7m is \$11.1m up on budget, driven largely by a one-off insurance claim settlement of \$3.3m, staff vacancies and savings across several other key costs.

Crown revenue is in line budget, with additional cost pressure and COVID-19 funding in Q4 offsetting the deferral of some programme and demolition funding to FY21. Commercial revenue has been lower than planned across the portfolio – driven by Q4 COVID impacts in Kiwistar and Glycosyn and pipeline challenges throughout the year for RTS – however these shortfalls have been effectively managed through reduced project delivery costs and tactical delays in hiring new staff.

The revenue shortfall has also been impacted by the National Science Challenge (Contestable Funding) which is \$6.2m below plan, although this is offset by equal savings on operating costs within the Services & Contracts expense category. 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 remaining favourable expenditure variance was driven by savings across a range of categories in the Parent. Costs in the two subsidiaries (Food Innovation Auckland and Food Innovation South Island) were in line with plan, however they were all budgeted within the services & contracts line, generating underspends against budget in this area and overspends in others (particularly depreciation and personnel costs).

The key drivers of savings against budget within the Parent include:

- Personnel costs (\$1.0m) – several budgeted roles were not filled during the year, delivering significant salary savings. This has been partially offset by contractor spend to fill immediate skill gaps, and additional recruitment costs as the rate of hiring picked up.

- Deferral of operational costs within BPA and NZPA programmes (\$2.7m) – these programmes have had a slower than budgeted start, with deferral of both Services & Contracts expenses and Crown Revenue into FY21.
- Travel (\$1.0m) – Better use of technology, and the scale back to essential travel only during and after COVID-19.
- Software licencing (\$0.9m) – driven by a deferral in the rollout of new applications.
- Depreciation (\$1.3m) – a slower than planned rollout of this year's capex programme, and focus on closing prior year projects, has resulted in a favourable depreciation variance.

Cash and term deposits remain above budget, due to higher than expected opening cash balances, changes in planned phasing of capital investment, and the full year surplus.

YTD grants expenditure YTD is \$266.2m.

Detailed financial results

Statement of revenue and expense

Callaghan Innovation Group

For the year ended 30 June 2020

	Actual	Budget	Variance	
	\$k	\$k	\$k	
Revenue				
Crown operating				
Crown Funding - Other	-	1,413	(1,413)	
Callaghan Innovation Funding	42,125	40,800	1,325	
Strategic Investment	18,523	18,523	-	
Business R&D Grants administration	7,788	7,751	37	
National Measurement Standards	7,632	7,632	-	
Programme Funding	3,378	3,378	0	
Food Innovation Network	4,700	4,700	(0)	
Total Crown operating	84,146	84,197	(51)	
Crown contestable contracts and other	12,083	18,250	(6,167)	
Commercial revenue				
Domestic Commercial	8,319	10,212	(1,892)	
Overseas Commercial	9,925	13,352	(3,426)	
Total Commercial revenue	18,245	23,563	(5,319)	
Other Income	7,534	2,732	4,802	
Total revenue	122,007	128,742	(6,735)	
Expenses				
Personnel	58,439	57,578	(860)	
Services and Contracts	14,655	30,755	16,100	
Other costs	32,798	34,080	1,282	
Depreciation	8,677	9,361	684	
Total expenses	114,568	131,773	17,205	
Operating surplus / (deficit)	7,439	(3,031)	10,470	
Interest Income	1,182	581	601	
Tax (expense)/credit	74	-	74	
Non Operating Income	(27)	-	(27)	
Surplus / (Loss)	8,668	(2,450)	11,118	

The following grants funding and expenditure occurred in the year ended 30 June 2020:

	\$k
Grants funding from MBIE	266,205
Grants expenditure	(266,205)
Net Impact	0

Statement of financial position

As at 30 June 2020

	Actual	Budget	Variance	
	\$k	\$k	\$k	
Assets				
Current assets*	190,488	164,987	25,500	
Non-current assets				
Fixed Assets	66,159	79,076	(12,918)	
Investment in associates	4,476	9,373	(4,896)	
Total assets	261,123	253,436	7,687	
Liabilities				
Current liabilities*	(146,237)	(121,799)	(24,438)	
Non-current liabilities				
Non-current employee entitlements	(218)	(299)	81	
Total liabilities	(146,455)	(122,098)	(24,358)	
Net assets	114,667	131,338	(16,671)	

Statement of equity

As at 30 June 2020

	Actual	Budget	Variance	
	\$k	\$k	\$k	
Equity				
Capital	105,999	133,788	(27,789)	
Current year surplus / (deficit)	8,668	(2,450)	11,118	
Total equity	114,667	131,338	(16,671)	

* includes the following estimated grants liability at 30 June 2020:

\$k

Current assets

MBIE grants receivable 119,305

Current liabilities

Provision for grants payable (119,305)

Statement of cashflow

For the year ended 30 June 2020

	Actual	Budget	Variance	
	\$k	\$k	\$k	
Net cash flows from:				
Operating activities	26,160	6,545	19,615	
Investing activities	(16,957)	(31,698)	14,742	
Financing activities	9,940	41,070	(31,130)	
Net increase / (decrease)	19,143	15,917	3,226	
Add cash at start of period	41,823	36,995	4,827	
Balance at end of period	60,966	52,912	8,054	

Appendices

R&D Growth Grants Scheme

The Growth Grants scheme is now closed to new applicants, and we are forecasting a surplus of \$44.2m in this appropriation at the end of the MYA period in June 2022. 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
Adj FY17/18 - project grants transfer	\$20,000	\$20,000
Adj FY17/18 - appropriation c/fwd	\$5,789	\$5,789
Adj Y18/19	-\$4,850	-\$4,850
	\$823,799	\$823,799
Adj for 2019/20 - OBU '19	-\$34,490	-\$34,490
Adj 2019/20 - OBU '19 RDTI	-\$5,170	-\$5,170
Adj for 2019/20 - OBU '19 RDTI	-\$830	-\$830
Adj for 2020/21 - MBU '20 RDTI	-\$5,200	-\$5,200
Gross Available Appropriation	\$778,109	\$778,109
Carry Forward Accrual Cash		
2013-2017 appropriation	\$58,958	\$0
Actual cash payments		
Claims paid in cash FY17/18	-\$141,584	-\$141,584
Claims paid in cash FY18/19	-\$192,778	-\$192,778
Claims paid in cash FY19/20 YTD	-\$216,332	-\$216,332
Total Paid	-\$550,693	-\$550,693
Accrual Movements		
Reverse opening accrual		\$58,958
Closing accrual (base case)		-\$96,673
Net Accrual movement		-\$37,715
Available Appropriation	\$286,374	\$189,701

Forecast		
Scenario - Base Case	Cash Basis \$000	Accrual Basis \$000
Appropriation remaining	\$0	\$189,701
Less - FY22 transfer to RDTI	\$0	-\$5,200
Less forecast commitments	-\$236,907	-\$140,234
Surplus/(Shortfall)	\$44,267	\$44,267

Scenario - Worst Case	Cash Basis \$000
Appropriation remaining	\$286,374
Less - FY22 transfer to RDTI	-\$5,200
Less forecast commitments	-\$242,559
Surplus/(Shortfall)	\$38,615

Scenario - Best Case	Cash Basis \$000
Appropriation remaining	\$286,374
Less - FY22 transfer to RDTI	-\$5,200
Less forecast commitments	-\$231,604
Surplus/(Shortfall)	\$49,570

Free and frank advice



Repayable Grants

	Actual \$000
Appropriation available FY19/20	16,208
Appropriation brought forward prior year	1,457
	17,665
Incubator payments	(3,657)
Accelerator payments	(958)
Repayable Loans	(1,426)
	(6,040)
Total FY20 underspend	11,625

FY19/20 saw a relatively slow build up however the new Tech Incubators are now in place and take up is expected to increase through FY21.

Measurement Standards Laboratory Report

Overview

- The new MSL Building achieved “practical completion” this quarter and was handed over to MSL for commissioning and environmental testing. The new building has also been featured in the industry publication [Cal Lab Magazine](#).
- MSL hosted a virtual event to celebrate World Metrology Day on 20 May 2020. The virtual event replaced the original event planned to celebrate the opening of the new MSL Building at Gracefield, which has been delayed due to the pandemic. More than 100 participants from all over New Zealand, Australia, South Africa, Pakistan, Egypt, and Singapore registered for the Zoom event to learn about the latest developments in New Zealand's measurement system. The associated presentations on the MSL YouTube channel have had over 550 views.

Use of MSL capital appropriation

- \$3.44 million of capital expenditure has been approved against the full-year appropriation of \$3.44 million.

MSL's outputs this quarter

- 28 calibration jobs delivered to customers.
- 4 IANZ assessments of external laboratories carried out by MSL staff.
- 1 Technical Guide delivered.
- 48 Enquiries to info@measurement.govt.nz
- 1635 downloads of resources (e.g. technical guides, software) from measurement.govt.nz

International acceptance of New Zealand's measurement system

- During the pandemic, MSL worked with IANZ to undertake desktop/virtual assessments of IANZ-accredited testing and calibration laboratories.
- The results of Asia-Pacific regional comparison APMP.M.P-K9 for gas pressure measurement were published in the Key Comparison Database on the BIPM website. The results indicate that MSL was one of the best performing laboratories among the 12 participants. These results support measurement traceability provided to calibration laboratories including Metservice, Airways and Teltherm and highlight our state-of-the-art capability in this area.
- The Chief Metrologist represented NZ via Zoom in the Mid-Year Asia Pacific Metrology Programme meetings.

Actions to address MSL resilience

- MSL has implemented electronic calibration reports for customers. This allowed us to continue issuing reports to customers during the lockdown.
- The construction of the new MSL building interior is progressing well and was 98% complete as of 30 June 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 12 months ended 30 June 2020

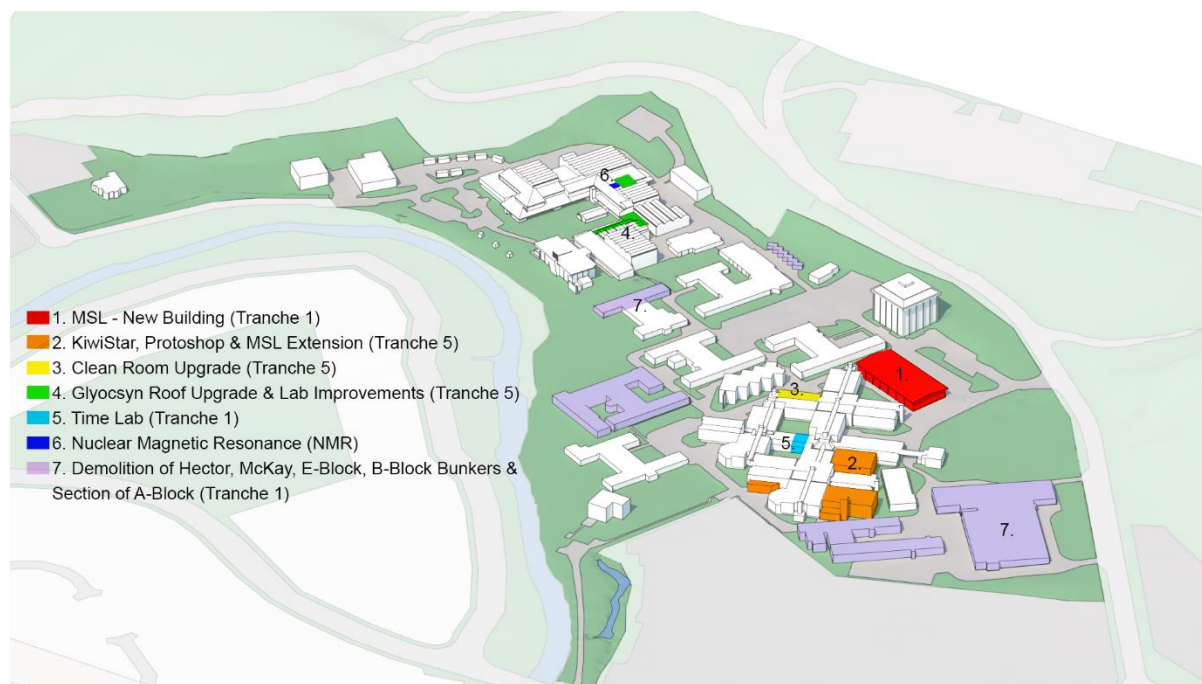
Measurement Standards Laboratory	Year Ending 30 June 2020			Full Year
	Actual	Budget	Variance	Budget
Revenue	\$k	\$k	\$k	\$k
National Measurement Standards	7,632	7,632	(0)	7,632
Strategic Investment	133	133	-	133
Total Crown Revenue	7,765	7,765	(0)	7,765
Domestic Commercial	491	582	(91)	582
Overseas Commercial	94	67	27	67
Total Commercial Revenue	586	649	(63)	649
Other Income	20	15	5	15
Total Revenue	8,371	8,429	(58)	8,429
Expenses				
Personnel	4,560	4,582	21	4,582
Services and Contracts	77	140	63	140
Other Costs	905	658	(247)	658
Depreciation	775	956	180	956
Total Expenses	6,318	6,336	18	6,336
Contribution Margin	2,053	2,094	(40)	2,094
Indirect Expenses	2,541	2,221	(320)	2,221
EBIT	(488)	(128)	(360)	(128)

Overall MSL ended the year close to budget (Contribution Margin was \$40K below budget). However, greater than budgeted indirect expenses led to an EBIT loss of \$488K.



Prime Minister, Rt Hon Jacinda Ardern and Minister for Research, Science and Innovation, Hon Dr Megan Woods along with Callaghan Innovation Senior Leaders enjoyed a preview of the new building prior to keys being handed over to MSL.

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:
 - GIQ Partner Lead to engage with strategic partners to build the foundations of our future innovation community.
 - Additional Project Managers to manage the delivery of projects for the Tactical Estates Continuity Programme.
- Utilised the Callaghan Innovation Change Management Framework to embed new ways of working and improve engagement of the business stakeholders.

Tactical Estates Continuity Programme

- Revised the Master Programme following a recommendation from the Treasury Gateway Review to align it with when funding was received. The work considered several elements including health and safety, onsite logistics, resourcing, and interdependencies with other initiatives. Over the next financial year, we will increase the number of projects underway to ensure we will complete all projects by July 2023 and provide a foundation for future development at GIQ.
- Completed other recommendations from the Treasury Gateway Review, including implementing an 'Earned Value' approach to managing the investment profile and monitoring progress of all projects, and the full and early involvement and sign off by users on their requirements for all new projects.
- Completed fit-out of the new building for the Measurement Standards Laboratory (MSL) and handed over to MSL to commence a 12 month move-in project.

Developed a Change Transition Plan and associated engagement activity to assist in benefit realisation and to ensure the embedding of new processes for staff throughout the move-in project. Due to COVID-19 work to install the screened rooms has yet to be completed due to overseas workers required.

- Approved the Detailed Business Case for the demolition and asbestos removal of Hector and MacKay buildings, E Block, B Block bunkers and a section of A Block.
- Completed the appointment of the external design team for projects to support the growth of our commercial businesses, Kiwistar, MSL and Protoshop and commenced preliminary design work with input from the business stakeholders.
- Mechanical and Building Services consultants have been appointed for the HVAC maintenance and replacement project. Investigations have commenced as part of preparation of design documentation and model information as we progress towards the Detailed Business Case.
- Preferred contractor identified to complete the Glycosyn re-roofing work and completed the design with submission to the council for consent.
- Construction re-commenced on the refurbishment of the microfabrication cleanroom facility following Gracefield site reopening after lockdown.
- Commenced construction of the new laboratories and meeting spaces at the Textile Centre in Auckland.
- Rolled out Callaghan Innovation's Overlapping PCBU Duties Framework and training for the GIQ Programme's construction works.
- Change Specialist activity continues with benefit owners to identify the specific actions required by them and their teams, to ensure realisation of benefits over the relevant period.
- Completed laboratory design requirements to inform tactical (Tranche 2.2 - Lab Upgrades and Tranche 4.2 - Flexible Labs) and strategic (Tranche 8 - Biotech Hub) laboratory investments and support uniformity across Callaghan Innovation's laboratory facilities.
- Continuing to develop BIM (Building Information Modelling) capabilities and adoption of ISO 19650 for information modelling and management across the programme, including integration of asset information requirements. This will ensure our approach meets best practice aligns to the digital twin aspirations of the GIQ Programme.



Strategic Services Programme

- Following approval to commence work on pursuing a proposal for an early phase of redevelopment, to deliver a Biotechnology Hub at Gracefield, we commenced discussions with foundation stakeholders - Glycosyn, our Biotechnologies group, and Ferrier Institute (Victoria University of Wellington).
- Commenced procurement of a preferred supplier to undertake the design work related to the Gracefield site wide masterplan. Sixteen proposals were received and four have been shortlisted to the next stage.
- Five workshops were held with leaders from across Callaghan Innovation to discuss some of the roles that our organisation could play at the GIQ in the future. The "vibrant, supportive, and connected innovation community" that the Strategic Services Programme is working towards will involve many more organisations onsite, delivering many more services across the full breadth of the innovator's journey.

Our focus next quarter

Programme Organisation

- Preparation for the next Gateway Review scheduled for September 2020. The GIQ Programme will be subject to two reviews: Gateway Review 0 (strategic assessment) for the Strategic Services Programme and Gateway Review 4 (readiness for service) for the Tactical Estates Continuity Programme.

Tactical Estates Continuity Programme

- Regular engagement with all staff and tenants on the increasing construction activity at Gracefield. We will focus on safely managing the logistics of traffic, people, and materials around the Gracefield site to ensure the health and safety of everyone and to enable the business to plan for any potential impacts.
- Finalise contract and schedule with the preferred contractor to undertake asbestos removal and demolition work. Work is forecast to commence at the end of 2020.
- Finalise the package of work and submit the Detailed Business Case for the HVAC maintenance and replacement project. Work is expected to commence in October 2020.
- Finalise a Main Contractor so construction can commence on the new laboratory for MSL's Time and Radio Frequency Teams. Work is expected to be completed early 2021.
- Commencing work on the remaining Tranche 2 (deferred maintenance) projects, including roof and exterior remediations and lab improvements. The 'define' phase of work will focus on preparing Indicative Business Cases for approval.
- Commencing work on priority projects within Tranche 3 (site-wide infrastructure and hazardous goods) and Tranche 4 (flexible offices and flexible laboratories). The 'define' phase of work will focus on preparing Indicative Business Cases for approval.
- Continue construction of the refurbishment of the microfabrication cleanroom facility. Construction is expected to be completed in January 2021.
- Continue design work for a project to support the growth of our commercial businesses, Kiwistar, MSL and Protoshop. This will contribute to a Detailed Business Case expected to be completed in January 2021.
- Progress to delivery stage of the Glycosyn roof project following approval of the Detailed Business Case.
- 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.

- Investigate new and more efficient construction methods and new technologies the GIQ Programme could trial. This includes working with Callaghan Innovation's Construction Sector and Advanced Materials teams on utilising 3D concrete printing system, which would be the first of its kind in New Zealand and provide an automated, precise, and customised service.

Strategic Services Programme

- Finalise appointment of the preferred supplier and commence the design work related to the Gracefield site wide masterplan. This will involve stakeholder engagement and workshops with Callaghan Innovation groups at Gracefield and key partners.
- Continue to engage foundation partners in the Biotechnology Hub proposal (Glycosyn, our Biotechnologies group, and Ferrier Research Institute) and engage with identified key strategic partners to join this initial engagement.
- Prepare two Strategic Assessments: one for the overall Strategic Services Programme, and the second for the Biotechnology Hub. The Strategic Assessments will outline the strategic context and fit of the proposed investment, and alignment with government and organisational priorities. Approval of the Strategic Assessments will enable the Programme Team to proceed to preparing Programme/Indicative Business Cases.

Financial Performance

- The Tactical Estates Continuity Programme's capital expenditure during Q4 was Negotiation taking the programme's life-to-date expenditure on 30 June 2020 to Negotiations
- The following table outlines capital expenditure to 30 June 2020:

Negotiations

- Tranche 1 Emergency Response Works continued to be the main source of expenditure during the Q4, with the fitout of the new MSL building reaching practical completion.
- In addition, expenditure on Tranche 5 began to pick up, with design work being undertaken on the business growth workspaces for Kiwistar, Protoshop & MSL, and the construction of the microfabrication cleanroom.
- The overall level of Q4 expenditure was significantly impacted by the COVID-19 pandemic. With construction work ceasing on site for a period in response to the

move to Alert Level 4, and a gradual, safety focussed, resumption of work as New Zealand moved back down the alert levels, expenditure of around **Negotiations** that was planned for Q4 has now shifted into the following financial year.

- 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 for the Programme Offices were higher than budget 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, GIQ operating expenditure was well within the **Negotiations** funding provided for 2019/20.
- Despite some delay and uncertainty because of COVID-19, a competitive procurement process for the demolition and asbestos removal work was concluded in Q4. As most of this work will be undertaken during the 2020/21 financial year, an in-principle expense transfer was requested to enable a portion of the funding for the work to be transferred from 2019/20 into 2020/21.
- The Programme Business Case included funding for depreciation costs arising from the investment in GIQ assets — these will begin to pick up in 2020/21 with the completion of the MSL Building.