

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

For the fourth quarter ending 30 June 2019

# Introduction

This report provides an update of performance for the third quarter of the 2018/19 financial year. Each quarterly report contains:

- progress against the performance measures in our Statement of Performance Expectations 1 July 2018 – 30 June 2019
- financial performance
- update on significant projects
- significant risks or issues that may impact performance.

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# Executive summary

## Our highlights this quarter:

- This quarter there was significant progress at Gracefield including:
  - Government approved the GIQ Programme Business Case and investment of \$75 million through Budget 2019, and held an event on-site with Minister of Research, Science and Innovation Megan Woods to announce this investment.
  - Completed construction of the exterior envelope for the new, purpose-built facility for the Measurement Standards Laboratory (MSL).
  - Confirmed the structure of the GIQ Programme Office and Knowledge and Assurance Hub (Programme Management Office) and started recruitment on high priority roles.
  - Following December's fire in the A Block research building, we have resolved the immediate need for short term accommodation arrangements for the former occupants of the building, enabling them to continue operations.
  - Completed the F Block laboratory to be tenanted by Victoria University of Wellington's Ferrier Research Institute.
- The full year surplus of \$1.0m was ahead of budget by \$6.0m for the 12-month period. This is primarily due to higher overseas commercial revenue and lower expenses experienced over the period.
- This year we achieved 12 out of 18 performance measures. Three of the performance measures that we did not achieve were measures of NPS which will be addressed by voice of the customer programme and our review of grants and programmes. The RTS Technology revenue did not achieve its target, however our focus has been improving service delivery rather than growing the customer base.
- In the 12 months to 30 June 2019 we worked with 2885 organisations to provide services including programmes, events, international missions and grants, with a Net Promoter Score of +57.
- We made significant progress on implementing our strategic initiatives during the quarter:
  - We continued our digital transformation by selecting an outsourced payroll solution, began the discovery and design phase of our Google G Suite implementation, defined our requirements for the new data architecture and grants platform, and defined our overall strategy and approach for process optimisation.
  - Worked with Inland Revenue to design the detailed aspects of how the R&D Tax Incentive will be delivered. The online eligibility tool was launched and the R&D Tax Incentive was promoted via newsletters and websites.
  - Scale-Up NZ successfully launched on 16 April. By 30 June we had over 1,800 registered users that includes a mix of company representatives, investors and others interested in using the platform. Nine hundred entities have been profiled on the platform.
  - We are/were validating the customer journey model, building the map and framing tools, and testing/iterating to ensure a fit-for-purpose framework, with completion scheduled for August.

- The board approved the revised RTS Strategy and high-level implementation plan that will provide a more integrated service covering both R&D as well as access to a broader range of technical and commercialisation advice.
- We completed the roll out of coaching, emotional intelligence and storytelling for leaders at every level of the organisation. We completed a Leadership Skills Assessment with over 40 leaders to help identify the cohort's most pressing capability development needs over the next 24 months.
- Other key points to note include:
  - Opened the RFP to appoint new technology incubator partners and recruited a new leader for the Start-Up team.
  - Appointed a new head of Foresight Transformation, leading the Future Insights team.
  - Continued construction of our new office spaces at the Textile Centre, our new Auckland premises, including working areas and space for an innovation showcase.
  - Delivered the pilot Student Grants Roadshow in Christchurch and Dunedin to a total of 200 attendees. Began plans to roll out roadshow across the country.

#### Our focus next quarter:

- Strategic delivery focus:
  - Gracefield:
    - Starting construction of the interior fit-out of the MSL building.
    - Construction of the new MSL Time laboratory.
    - Engaging internal and external stakeholders to develop a shared vision, programme benefits and a site operating model.
    - Rolling out training to approximately 75 people across the organisation on the Managing Successful Programmes (MSP) programme management framework.
    - Starting conversations with Victoria University of Wellington to identify a preferred accommodation solution for the medium-long term tenancy of Ferrier Research Institute and Robinson Research Institute.
    - Finalising a business case for Board approval to improve the capacity, safety and efficiency of operational workspaces for KiwiStar Optics and other tenants in the Robertson Building.
    - Prepare for the next Gateway Review scheduled for November 2019.
  - Continue to collaborate with Inland Revenue on the detailed operational policy and design of the R&D Tax Incentive and recruit the joint 'core team'. Will roll out more communications to increase awareness of tax incentive.
  - Continue to promote Scale-Up NZ to ensure that our customers, partners and those in the wider innovation ecosystem engage with the platform.
  - Continue leadership skills assessment programme to work 1:1 with our leaders to develop the skillset for leading a transformed organisation.
  - Undertake a pricing and commercial model review as part of the RTS Strategy implementation.
- Operational priorities include:
  - Moving our two Auckland-based teams into the Textile Centre in Parnell on 29 July 2019.

- Complete the technology incubator RFP process and appointed new technology incubator partners. Alongside this, undertake an operational improvement process to improve the way that we manage and deliver Start-Up programmes.
- Callaghan Innovation's annual two-day Southern SaaS event in Auckland in August.

# 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.

## Strategic initiatives for 2018/19

Strategic Pillar	#	Initiative
Build the critical foundations	1	Develop funding strategy
	2	Deliver digital architecture and innovation process
	3	Develop leadership capability and talent
	4	Cyber-security initiatives delivered
	5	Gracefield reinvigoration
Show the Future	6	NZ Futures, impact and modelling capability
Fuel Demand	7	RTS role and strategy defined
Connect the system	8	Super connector platform delivered
Empower innovators	9	Successful R&D tax credit migration plan agreed
	10	Customer segmentation / portfolio models implemented

In 2018/19 Callaghan Innovation completed ten strategic initiatives that were critical to achieving our strategy for this year:

1. The funding strategy for Callaghan Innovation was completed in 2018 and informed advice to the Minister of Research, Science and Innovation on bids for Budget 2019. Callaghan Innovation received funding for several new initiatives through Budget 2019.
2. Our Digital Strategy was completed and is now being implemented.
3. Delivered cyber-security improvements.



4. Develop leadership capability and talent. This year we completed the roll out of coaching, emotional intelligence and storytelling for leaders at every level of the organisation. A Leadership Skills Assessment was completed with over 40 leaders.
5. The GIQ Programme Business Case was approved by Government in May 2019, and additional investment of \$75 million was received through Budget 2019. The GIQ Programme has now moved to a delivery phase for the Tactical Estates Programme and Strategic Services Programme.
6. Developed our future insights, impact and modelling functions.
7. Defined the RTS role and strategy.
8. Scale-Up NZ, Callaghan Innovation's super-connector platform, was successfully launched in April 2019.
9. Completed the transition plan for Growth Grant customers to the R&D Tax Incentive. We have contacted all of our existing Growth Grants customers to discuss their plans, and support them, to transition to the R&D Tax Incentive.
10. Delivered customer personas and validated the Customer Journey model.

For 2019/20, Callaghan Innovation's Executive Leadership Team has identified the following three change programmes, three strategic projects and three operational priorities:

#### *Change programmes*

1. Digital transformation
2. Tikanga programme
3. GIQ and Auckland property programme

#### *Strategic projects*

4. Deliver RTS Strategy
5. Customer portfolio and services redesign
6. Superconnector platform

#### *Operational priorities*

7. R&D Tax Incentive Change Programme
8. Technology Incubator Programme
9. Health and safety

# Progress report

## Show the future

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

### Our highlights this quarter:

- Developing the systems transformation programme to improve the efficiency and quality of data and insights reporting.
- Completed and released two insights reports – an environmental innovation report and Aotearoa 2040 scenarios. These will be publicised in the media and presented at conferences and business meetings.
- Worked alongside our strategic partners to launch Techweek TV and delivered several sessions featuring our staff and customers including environmental innovation, Industry 4.0, top technologies and megatrends, R&D and commercialisation.
- Started our Industry 4.0 thought leadership programme. We aimed to answer the fundamental question whether companies that want to grow should intensify their efforts into Industry 4.0. Work this quarter focused on defining what Industry 4.0 looks like in New Zealand as opposed to Industry 3.0, and research which sectors are growing (in terms of their adoption of Industry 4.0) and what the drivers are. We presented at Techweek in May and attended a top Industry 4.0 conference in Europe in June.
- Through our Growing the Pie report we shone a light on how ambitious entrepreneurs will help to create unicorn opportunities in New Zealand – even those involving foreign acquisition or investment. The positive angle was covered by a number of media outlets.
- 1NewsNow, Te Karere and Radio Waatea ran our story about the potential of technology to lift the Maori economy. Stories included interviews with finalists and Vinnie Campbell and the 1News Now headline “Growing the \$50 billion Māori economy requires a shift away from forestry and fishing”.
- Other key future insights publicity activity included:
  - Appearing on live panels for the What Next? show about topics including health and the future of work
  - Sharing the potential of space technology in national media
  - Educating the discussion on the future potential of ‘green’ hydrogen as an energy source
  - Adding future context and examples to the ‘future of farming’ conversations leading up to Fieldays.

### Our focus for the next quarter:

- **Section 9(2)(a)** commences work at Callaghan Innovation as the head of Foresight Transformation, leading the Future Insights team. **Section 9(2)(a)**

Section 9(2)(a) will be leading the team of specialised Future Insight managers as they look to create impact and enhance the volume and value of their work programme.

## Fuel demand

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

### Our highlights this quarter:

- The board approved the new RTS strategy and high-level implementation plan.
- Planning is underway for Callaghan Innovation's annual two-day Southern SaaS event schedule in Auckland for August. This event exclusively connects New Zealand SaaS business founders, leaders and executives with information and networks to help them to grow their businesses faster.

### Our focus for the next quarter:

- We will undertake a review of RTS Pricing and present options to the board for a new commercial model.
- We organised a 12 July event at Orbica in Christchurch for the Minister to announce the introduction of legislation around the refundability aspect of the R&D Tax Incentive. The announcement also included release of Inland Revenue's online eligibility tool and guidance and opening of scheme enrolment.
- Deliver Callaghan Innovation's annual two-day Southern SaaS event in Auckland in August.

## Connect the ecosystem

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

### Our highlights this quarter:

- Successfully growing Scale-Up NZ to profile over 900 entities that are active in the New Zealand innovation ecosystem (up from 540 at launch on 16 April). Over 1,800 individual users have registered and more than 70 introduction requests have been made via the platform, primarily from innovative local companies seeking connections to investors. Scale-Up NZ has mapped over \$86m of investment activity that took place during the quarter to 30 June 2019.
- Delivered the pilot Student Grants Roadshow in Christchurch and Dunedin to a total of 200 attendees. Began plans to roll out roadshow across the country. As part of our collaboration with New Zealand Trade & Enterprise, we delivered a series of business seminars and innovation tours at this year's National Fieldays. The seminars were on robotics and automation, nutrient management, satellites, UAV and Io. We also showcased the technologies of Callaghan Innovation customers and NZTE F700 customers during three scheduled one-hour innovation tours.
- A 20-strong agritech business and research cohort attended the Forbes AgTech Summit and supporting in-market programme as part of a Robotics and Automation delegation to

California in June. A collaboration with both Agritech NZ, NZTE and MBIE, the delegation provided opportunities for our businesses and researchers to demonstrate their R&D capabilities.

### Our focus for the next quarter:

- Callaghan Innovation's Māori economy event of the year, Matariki X, took place in Rotorua on Friday 26 July. The morning 'inspire' session featured some recognisable and successful Māori entrepreneurs delivering keynote addresses. A series of masterclass workshops on topics such as governance, investment, environmental innovation and social impact were offered in the afternoon. The day concluded with an eco-connect dinner, enabling opportunities for networking and connection building.
- Following the successful inaugural 2018 event, Southern SaaS will take place on 28 – 29 August. This two-day event aims to attract over 300 SaaS business leaders and executives, connecting them with information and networks to help grow their businesses faster.
- Scale-Up NZ: The focus for the start of the new financial year is to continue growing the platform while embedding processes for data maintenance to ensure the dataset remains up-to-date and accurate. We will continue to promote Scale-Up NZ via digital channels, through our industry partners, and at events targeting the New Zealand innovation community. As the database grows in scale and richness of information, we will begin to produce insight reports using the data, working in partnership with our supplier Start-up Nation Central to explore opportunities for international benchmarking.
- After a successful pilot, the Student Grant Roadshow will be rolled out in Invercargill, Auckland, South Canterbury, Tauranga, Palmerston North, Wellington, Gisborne and Hawkes Bay.
- Following a successful World Entrepreneurs Day in 2018, we are partnering with the Wellington Chamber of Commerce, Hutt Valley Chamber of Commerce and Technology Valley to host an event at Gracefield on 21 August. We anticipate 150 entrepreneurs and businesses will attend.

## Empower innovators

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

### Our highlights this quarter:

- We validated the Customer Journey model, built the actual map and framing tools that will make the tool tangible and fit for purpose in terms of understanding the Innovation, R&D eco-system.
- In collaboration with Inland Revenue, the R&D Tax Incentive guidance was published and the online eligibility tool went live. The following collateral was produced to promote the R&D Tax Incentive: brochure, pull-up banners, placard for the Minister's office, slide presentation, message house and image bank. A bridging marketing and communications plan was prepared in consultation with MBIE and IR.
- Opened an RFP to appoint new technology incubator partners and recruited a new leader for the Start-Up team.

## Our focus for the next quarter:

- Using the all of government contracting vehicle, we will procure an advertising agency to promote the R&D Tax Incentive. We will continue to implement the bridging plan.
- Completing the technology incubator RFP process and appointing new technology incubator partners. Alongside this, undertake an operational improvement process to improve the way that we manage and deliver start-up programmes.

## Build the critical foundations

Foundation initiatives to drive our ambition.

## Our highlights this quarter:

- We continued our digital transformation by selecting an outsourced payroll solution and began the discovery and design phase of our Google G Suite implementation. This phase includes a number of optimisations to our network, identity management platform and mobile security solution. In parallel, we defined user requirements for our new data architecture, grants platform and defined our overall strategy and approach for process optimisation; starting with a programme of work to map our current processes before kicking off a continuous improvement programme.
- This year Callaghan Innovation has completed the roll-out of coaching, emotional intelligence and storytelling for leaders at every level of the organisation. We completed a Leadership Skills Assessment with over 40 leaders to help identify the cohort's most pressing capability development needs over the next 24 months.
- Received approval from the Government on the GIQ Programme Business Case and investment of \$75 million through Budget 2019. Hosted a stakeholder event on site where Minister of Research, Science and Innovation, Megan Woods announced the Government's investment. Completed construction of the exterior of the MSL building and the new F Block laboratory to be tenanted by Victoria University of Wellington's Ferrier Research Institute.
- The Commercial Group, particularly GlycoSyn, had an excellent financial result for the year end, well ahead of budget. GlycoSyn has had its best year ever. KiwiStar Optics delivered on a number of difficult international customer optics milestones, while MSL celebrated World Metrology Day with associated roadshows and events to engage with NZ industry, academia, and the wider public.




## Our focus for the next quarter:

- Analysis of the leadership skills assessments and recommended interventions will be presented to the Executive Leadership Team in the first Quarter of FY19/20 and be further informed by the components of the burgeoning Tikanga Programme. Leaders will be supported in improving the understanding and application of setting and managing performance expectations with the roll out of a refreshed Performance Agreement and Development Planning framework. This includes targeted learning interventions to generate understanding and behavioural change in performance development across the organisation.
- Moving our two Auckland based locations into our new office space at the Textile Centre in Parnell on 29 July. Progressing construction of the fit-out of the new MSL building, anticipated to run through to March 2020.

- We will continue to deliver on demanding international contracts in KiwiStar Optics and GlycoSyn and support activities around fitting out the new MSL building.



## Performance measures

### Callaghan Innovation Operations: Multi-category appropriation

Performance measure	2018/19 Performance standard	12 months to end Q4 FY 18/19	Status
Total number of organisations working with Callaghan Innovation on services this financial year	2600	2916	
Net Promoter Score of all surveyed customers	+60	+57	
Total number of organisations working with Callaghan Innovation and NZTE as a F700 customer	300	375	

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	12 months to end Q4 FY 18/19	Status
Number of organisations working with Callaghan Innovation in the following services: <ul style="list-style-type: none"> <li>• programmes</li> <li>• events</li> <li>• international missions</li> <li>• global expert.</li> </ul>	1500	1477	
Net Promoter Score for Callaghan Innovation Services: <ul style="list-style-type: none"> <li>• programmes</li> <li>• events</li> <li>• international missions</li> <li>• global expert.</li> </ul>	50	+49	

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

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





#### Category 2: Business research and development contract management

Performance measure	2018/19 Performance standard	Progress to end of Q4	Status
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Percentage of growth, project and student fellowship applications who have received a decision within 30 working days of receipt of the completed application	90%	69%	
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The full year result is impacted by receiving significantly more grant applications in the December 2018 – March 2019 quarter than in the same period in previous years. Coupled with the Growth Grant application and extension scheme deadline of 31 March 2019 this created a processing backlog which has now been cleared. Processing times have returned to historical norms and the performance standard is expected to improve.

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

Performance measure	2018/19 Performance standard	Progress to end of Q4	Status
Total commercial revenue from Research and Technical Services (excluding commercial group)	\$8.9 million	\$7.9 million	
Total commercial revenue for the Commercial Group (excluding Research and Technical Services)	\$12.6 million	\$15.9 million	
Net Promoter Score from Research and Technical Services, services (excluding commercial group)	+60	+41	
Number of New Zealand organisations with a research and technical service project this financial year (excluding commercial group)	175	251	


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 Research and Technical Services (RTS) Group to develop its new strategy and reorganise its customer engagement process is expected to positively impact RTS' Net Promoter Score.

### National Measurement Standards




Performance measure	2018/19 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 2018	Achieved	Completed  There were 90 technical procedures in validation on 1 July of which 11 were validated or revalidated during the three months from 1 April to 30 June.  The temperature	

		measurement standards section was assessed by IANZ (13-15 May). One corrective action requiring attention was raised. The laboratory has responded in a timely manner and is currently awaiting approval from IANZ.	
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## Research and Development Growth Grants

Performance measure	2018/19 Performance Standard	12 Months to end Q4 FY 18/19	Status
Percentage of businesses receiving a Growth Grant that maintain or increase eligible R&D expenditure over the grant period <sup>1</sup>	70%	85%	

## Targeted Business Research and Development Funding

Performance measure	2018/19 Performance Standard	Progress to end of Q4	Status
Percentage of businesses completing research and development Project Grants that positively rate Callaghan Innovation's assistance as valuable in their final reports	80%	98%	
Percentage of surveyed recipients who would recommend the R&D Experience Grants to others <sup>2</sup>	80%	97%	
Percentage stating that grant enabled them to improve or accelerate their research and development	90%	96%	

## Repayable grants for start-ups


Performance measure	2018/19 Performance Standard	Progress to end of Q4	Status
Percentage of incubator contracts that are assessed as delivering as required (founder focused, and technology focused) <sup>3</sup>	90%	100%	

<sup>1</sup> 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'.

<sup>2</sup> Surveyed recipients are companies who completed final client reports for R&D Experience Grants and students who responded to a survey on their experience of the scheme.

<sup>3</sup> Callaghan Innovation will be assessing the contracts as meeting the reporting requirements which were agreed between us and the incubators



Percentage of surveyed start-ups who agree that they have gained business or commercialisation skills due to working with the incubator/accelerator	60%	91%	
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## Financial performance

### Financial summary

Key Financial Indicators to 30 June 2019

	<b>Actual</b> <b>\$m</b>	<b>Budget</b> <b>\$m</b>	<b>Variance</b> <b>\$m</b>
Parent Surplus after non-operating items	1.0	(5.0)	6.0
Revenue	109.6	102.4	7.2
Expenses	109.6	108.2	(1.4)
Interest income and non-operating items	1.0	0.8	0.2
Cash and deposits	39.4	13.6	25.8

The operating surplus for the 12 months ended 30 June 2019 was break even compared to a budgeted operating loss of (\$5.8m). After including non-operating items from Associates and interest income the Surplus for the 12-month period is \$1.0m compared to the budgeted loss of (\$5.0m).

Total revenue was higher than budget by \$7.2m. This was driven in the main by favourable variances in overseas commercial \$3.5m and Crown \$3.2m. The principal contributor to overseas commercial growth was work completed by Glycosyn for overseas clients including higher than planned Kifunensine overseas product sales. Additional revenue in Crown was from the BioResource Processing Alliance (BPA) and National Science Challenge (NSC) groups

The unfavourable expenditure variance of (\$1.4m) is due to personnel, services and contracts and depreciation being higher than expected. Use of contractors have driven the overspend in personnel. Services and contracts are unfavourable due to higher payments to external NSC and BPA subcontractors. This has been offset by higher Crown contestable contracts and other revenue. Increased depreciation has been driven by 0.8m in impairment of VUW assets. This is offset by \$0.8m upside in insurance recoveries (in other income).

The cash and term deposits balance at 30 June totalled \$39.4m which is \$25.8m higher than budget. This higher balance is due receipt of capital appropriation \$21.1m (budget \$10.0m), better than plan operating cash flow \$4.0m and under spend on investing activities \$17.2m.

All output classes were favourable against budget, with the exception of the National Measurement Standards Laboratory which was slightly unfavourable (\$314k).

Grants expenditure for the 12 months was \$242.8m.

All financials below are for the Callaghan Innovation Parent. In the annual report the financials are for the Callaghan Innovation Group and include all subsidiaries transactions.

## Statement of revenue and expense

### Callaghan Innovation Parent

For the 12 months ended the 30 June 2019

	Actual	Budget	Variance		Full Year Budget
	\$k	\$k	\$k		\$k
<b>Revenue</b>					
<b>Crown operating</b>					
Crown Funding - Other	-	-	-		-
Callaghan Innovation Funding	30,000	30,000	(0)		30,000
Strategic Investment	18,523	18,523	0		18,523
Business R&D Grants administration	7,750	7,751	(1)		7,751
National Measurement Standards	7,069	7,069	(0)		7,069
Programme Funding	3,378	3,378	0		3,378
Food Innovation Network	-	-	-		-
<b>Total Crown operating</b>	66,720	66,721	(1)		66,721
<b>Crown contestable contracts and other</b>	15,692	12,487	3,205		12,487
<b>Commercial revenue</b>					
Domestic Commercial	7,918	9,062	(1,144)		9,062
Overseas Commercial	15,935	12,463	3,472		12,463
<b>Total Commercial revenue</b>	23,853	21,526	2,328		21,526
<b>Other Income</b>	3,332	1,646	1,686		1,646
<b>Total revenue</b>	<b>109,598</b>	<b>102,380</b>	<b>7,218</b>		<b>102,380</b>
<b>Expenses</b>					
Personnel	50,883	48,584	(2,299)		48,584
Services and Contracts	22,434	20,847	(1,587)		20,847
Other costs	27,037	30,086	3,049		30,086
Depreciation	9,272	8,636	(636)		8,636
<b>Total expenses</b>	<b>109,625</b>	<b>108,152</b>	<b>(1,473)</b>		<b>108,152</b>
<b>Operating surplus / (deficit)</b>	<b>(28)</b>	<b>(5,773)</b>	<b>5,745</b>		<b>(5,773)</b>
Interest Income	829	765	63		765
Non Operating Income	201	-	201		-
<b>Surplus / (Loss)</b>	<b>1,002</b>	<b>(5,007)</b>	<b>6,010</b>		<b>(5,007)</b>

The following grants funding and expenditure occurred in the 12 months ended 30 June 2019:

	\$k
Grants funding from MBIE	242,787
Grants expenditure	(242,787)
Net Impact	0

## Statement of financial position

As at 30 June 2019

	Actual	Budget	Variance		Full Year Budget
	\$k	\$k	\$k		\$k
<b>Assets</b>					
Current assets*	167,701	93,792	73,909		93,792
Non-current assets					
Fixed Assets	54,401	72,234	(17,833)		72,234
Investment in associates	9,529	8,871	658		8,871
<b>Total assets</b>	<b>231,631</b>	<b>174,898</b>	<b>56,733</b>		<b>174,898</b>
<b>Liabilities</b>					
Current liabilities*	(135,213)	(94,770)	(40,443)		(94,770)
Non-current liabilities					
Non-current employee entitlements	(328)	(423)	95		(423)
<b>Total liabilities</b>	<b>(135,541)</b>	<b>(95,193)</b>	<b>(40,348)</b>		<b>(95,193)</b>
<b>Total assets</b>	<b>96,090</b>	<b>79,705</b>	<b>16,385</b>		<b>79,705</b>

## Statement of equity

As at 30 June 2019

	Actual	Budget	Variance		Full Year Budget
	\$k	\$k	\$k		\$k
<b>Equity</b>					
Capital	95,088	84,712	10,376		84,712
Current year surplus / (deficit)	1,002	(5,007)	6,010		(5,007)
<b>Total equity</b>	<b>96,090</b>	<b>79,705</b>	<b>16,385</b>		<b>79,705</b>

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

	\$k
Current assets	
MBIE grants receivable	120,456
Current liabilities	
Provision for grants payable	(120,456)

## Statement of cashflow

For the 12 months ended the 30 June 2019

	Actual	Budget	Variance		Full Year Budget
	\$k	\$k	\$k		\$k
<b>Net cash flows from:</b>					
Operating activities	6,484	2,519	3,965		2,519
Investing activities	(28,692)	(11,451)	(17,241)		(11,451)
Financing activities	21,152	10,000	11,152		10,000
<b>Net increase / (decrease)</b>	<b>(1,056)</b>	<b>1,068</b>	<b>(2,124)</b>		<b>1,068</b>
Add cash at start of period	2,491	1,446	1,045	-	1,446
<b>Balance at end of period</b>	<b>1,435</b>	<b>2,514</b>	<b>(1,079)</b>		<b>2,514</b>

## Reconciliation: Statement of service performance to Statement of comprehensive income

For the 12 months ended the 30 June 2019

	Actual	Budget	Variance		Full Year Budget
	\$k	\$k	\$k		\$k
<b>Statement of service performance</b>					
Building Business Innovation	8,209	4,313	3,896		4,313
R&D Services and Facilities for Business and Industry	(2,578)	(5,610)	3,032		(5,610)
Business R&D Contract Management	(1,893)	(3,779)	1,886		(3,779)
National Measurement Standards	(248)	67	(314)		67
<b>Total crown operating funding</b>	<b>3,490</b>	<b>(5,009)</b>	<b>8,499</b>		<b>(5,009)</b>
No Output Class	(2,487)	2	(2,489)		2
<b>Total surplus / (deficit)</b>	<b>1,002</b>	<b>(5,007)</b>	<b>6,009</b>		<b>(5,007)</b>

# Appendices

## R&D grants forecast

Please see below for an updated R&D Growth Grants Forecast for this quarter (first table). This is to the end of the 31 March 2021 after which this multi-year appropriation finishes.

The second table for the Project and Student Grants programme is not a forecast, but rather a commitments report. For the next quarterly report, we will provide an updated forecast for this multi-year appropriation. This multi-year appropriation finishes on 30 June 2022.

### Growth Grants Forecast

Category	\$
Adjusted Appropriation	823,799,000
Actual 2017/18	(172,268,000)
Actual 2018/19	(202,971,123)
Remaining Appropriation	448,559,877
Forecast at 30/06/2019	(391,576,691)
Appropriation Underspend	56,983,186

### Project & Students Grants Commitments

Category	\$
Adjusted Appropriation	162,500,000
Actual 2017/18	(24,624,000)
Actual 2018/19	(35,268,541)
Remaining Appropriation	102,607,459
Commitments at 30/06/2019	(26,000,186)
Appropriation Remaining	76,607,273

## Repayable grants forecast

The Repayable Grants for Start-ups multi-year appropriation (MYA) totals \$33,530,000 over 2 years. \$27,992,000 for the 2017-19 MYA plus \$5,538,000 transferred from the 2015-17 MYA. The MYA runs from 1 July 2017 to 30 June 2019.

As at the end of June 2019 the appropriation was underspent by \$24.6m. MBIE will provide advice on options for reprioritising this funding to the responsible minister.

	<b>2-year spend (to 30 June 19) \$</b>	<b>2-year Budget (to 30 June 19) \$</b>	<b>Variance \$</b>
<i>Incubator operational</i>	<i>6,970,000</i>	<i>7,112,000</i>	<i>142,000</i>
<i>Accelerators</i>	<i>1,400,000</i>	<i>1,500,000</i>	<i>100,000</i>
<i>Repayable grants</i>	<i>603,446<sup>1</sup></i>	<i>19,380,000</i>	<i>18,776,554</i>
<i>2016/17 Carry forward</i>		<i>5,538,000</i>	<i>5,538,000</i>
<b>Total</b>	<b>8,973,446</b>	<b>33,530,000</b>	<b>24,556,554<sup>2</sup></b>

Notes:

- 1: Cash paid for Repayable Grants over the 2-year period to 30 June 2019 was \$6,028,376 but the net payment of grants is lower due to the reversal of funds that were accrued for grants that were approved but never drawn down.
- 2: Underspend for the 2017-19 MYA.

## Measurement Standards Laboratory report

### Overview

- MSL held “Redefining How We Measure Our World” roadshow events in Auckland and Wellington to communicate the changes arising from the redefinition of the International System of Units (SI) that came into force on World Metrology Day, 20 May 2019.
- The Measurement Standards Regulations 2019 also came into force on 20 May 2019, which recognise that our measurement system is now based on fundamental constants of physics or nature.
- MSL hired its first apprentice as part of a pilot to bring school leavers and people without tertiary qualifications into metrology. The pilot was initiated in response to a lack of skilled workers in industry. MSL is providing on-the-job paid training for two-years and then making those staff available to industry.
- MSL’s draft Five Year Science and Innovation Plan has been completed and shared with MBIE, IANZ, Dodd Walls Centre for Quantum and Photonic Technologies, and the MacDiarmid Institute.

### Financial performance

#### Statement of revenue and expense

For the 12 months ended 30 June 2019

	Full Year		
	Actual	Budget	Variance
<b>Revenue</b>	\$k	\$k	\$k
Strategic Investment	133	133	0
National Measurement Standards	7,069	7,069	(0)
<b>Total Crown Revenue</b>	<b>7,202</b>	<b>7,202</b>	<b>(0)</b>
Domestic Revenue	537	562	(25)
Overseas Revenue	57	53	4
<b>Total Commercial Revenue</b>	<b>594</b>	<b>615</b>	<b>(21)</b>
Other Income	25	15	10
<b>Total Revenue</b>	<b>7,822</b>	<b>7,832</b>	<b>(11)</b>
<b>Expenses</b>			
Personnel	4,037	4,248	211
Services and Contracts	408	369	(39)
Other Costs	446	312	(134)
Depreciation	665	800	135
<b>Total Expenses</b>	<b>5,556</b>	<b>5,729</b>	<b>173</b>
<b>Operating Surplus</b>	<b>2,265</b>	<b>2,103</b>	<b>162</b>
Indirect Expenses	2,412	1,903	(509)
Financial Expenses	37	0	(37)
<b>Net Surplus / (Deficit)</b>	<b>(184)</b>	<b>200</b>	<b>(384)</b>

- MSL ran a small loss for the year due to greater than budgeted indirect expenses allocated by Callaghan Innovation.

## Use of the MSL capital appropriation

- \$1.152 million of capital expenditure has been approved against the full-year appropriation of \$1.152 million.

## MSL's outputs

- 51 calibration jobs were delivered to customers.
- 11 IANZ assessments of external laboratories were carried out by MSL staff.
- 4 Technical Guides were produced for industry.
- Measurement standards were recalibrated for gauge blocks (Length Standards) and current transformers (Electrical Standards).

## International acceptance of New Zealand's measurement system

- MSL had a successful outcome during its 5-yearly IANZ reassessment of temperature standards from 13-14 May.
- MSL represented New Zealand's interests at the BIPM Consultative Committee meetings on mass standards and visited other Kibble Balance Projects in France, Switzerland, and the United Kingdom.
- MSL represented New Zealand's interests at the BIPM Consultative Committee meetings on Temperature and at the Tempmeko conference in China.
- MSL currently has several collaborative projects underway with the National Measurement Institute of Australia (NMIA) under the Australia New Zealand Science Research and Innovation Cooperation Agreement. This quarter, a length standards scientist visited NMIA to progress work on our atomic force microscopy capability and a scientist from NMIA visited MSL to collaborate on length and pressure standards.

## Actions to address resilience of MSL

- Construction of the building envelope for the new MSL building has been completed. Construction of the building interior will commence soon.
- Most laboratories have now reopened in the McKay Building, following asbestos removal work. The radiofrequency laboratory has been closed due to structural issues.
- Temperature Standards and Electrical Standards are expected to move from McKay Building to the new MSL building in the first half of 2020. Planning is underway to address risks associated with moving the national standards and minimise interruption to service delivery.





*Inside the new MSL Building being constructed at Gracefield, Lower Hutt*

## Gracefield Innovation Quarter report

### Our highlights this quarter

- Received approval from the Government on the GIQ Programme Business Case and investment of \$75 million through Budget 2019. We hosted Minister of Research, Science and Innovation, Megan Woods at GIQ for an event with key stakeholders and Callaghan Innovation people to celebrate the Government's investment.
- We continued to focus on Programme Organisation (first governance theme of the MSP framework) and improving process and capability to deliver the programme. The structure of the GIQ Programme Office and Knowledge and Assurance Hub (Programme Management Office) was confirmed and we began recruiting for high priority roles.
- Construction of the building envelope for the new Measurement Standards Laboratory (MSL) has been completed. Following a tender process, we have awarded the contract for the construction of the fit-out to Hawkins. The fit-out work will begin in July and is anticipated to run through to March 2020. Engagement with MSL to refine requirements and design details has been positive.
- Businesses case for the new MSL Time Lab has been submitted for approval.
- Completion of the project to install the new gantry crane for KiwiStar including logistics clearing critical production space.
- Design has commenced on an extension for the KiwiStar Optics workspace to improve efficiency and enable their business growth strategy.
- Started to develop a shared vision and operating model (Blueprint) for the site (second and fifth governance themes of the MSP framework). We ran a successful day with people leaders from across the organisation who contributed to the development.
- In May the Callaghan Innovation board received a tour of the Gracefield site. This was a good opportunity for the new board members to see first-hand the facilities at the site and buildings that will be undergoing change in the coming years.
- Continuing construction of our new office spaces at the Textile Centre in Parnell. Activities include the construction of working spaces, innovation showcase area, kitchen, meeting and huddle facilities.
- Following the December 2019 fire in the A block research building, we have resolved the immediate need for short term accommodation arrangements for the former occupants of the building enabling the Ferrier Research Institute to continue its operations.

### Our focus for the next quarter

- Rolling out bespoke training to approx. 75 people across the organisation on the Managing Successful Programmes (MSP) programme management framework and Prince2 Project Management methodology.
- Working toward our target date of the 29th July for the colocation of our Balfour Rd and Quay St offices to new facilities at the Textile Centre in Parnell. In this quarter we will be installing data, VC and security systems, and receiving desks and furniture to fit out working and meeting facilities.

- Engaging with key internal and external stakeholders to develop a shared Vision, Benefits Management, and Blueprint Delivery and Design (MSP framework governance themes two, four and five).
- We're developing and using an objective framework for prioritisation of the Tactical Estates Programme.
- Starting a conversation with Victoria University of Wellington to identify a preferred solution for the Ferrier Research Institute and Robinson Research Institute. Medium and long-term options will be considered. We will also focus on ensuring that our business is not adversely affected by the temporary accommodation arrangements.
- Recruitment will continue for key positions, including:
  - Design Lead to be responsible for the Design Authority and maintain overall design and technical integrity of the GIQ Programme.
  - GIQ Change Officer to lead the Change Authority for the GIQ programme and maximise the outcomes of the site's transformation.
- Preparing for the next Gateway Review scheduled for November 2019, in particular ensuring we have completed or made significant progress towards the recommendations from their reviews in April and November 2018.

## Financial performance

- We are improving project forecasting processes and actively managing projects within available programme budgets. Updated project budget forecasts for 2019/20 will be provided to the Programme Governance Group in early July 2019 for approval.
- Funding of \$75 million (\$50 million capex and \$25 million opex) through Budget 2019 was received, ensuring Callaghan Innovation can deliver on the development GIQ, as outlined in the GIQ Programme Business Case.

A breakdown of forecast expenditure against our externally funded investments is available on the following page.

# Quarterly GIQ Investment Report

\$,000 Actuals at 30 June 2019

**Section 9(2)(b)(ii)**