

19 April 2024

Hon Judith Collins  
Minister of Science, Innovation and Technology  
Private Bag 18041  
Parliament Buildings  
Wellington 6011

Tēnā koe Minister Collins

**Re: Annual Letter of Expectations for 2024/25**

Thank you for your letter setting out your expectations for Callaghan Innovation for the 2024/25 financial year and beyond.

The 2024/25 year presents a unique opportunity for Callaghan Innovation. While we await the outcome of the Science Strategy Advisory Group our Board has determined that we focus our efforts on generating commercial revenue and our core functions, which are those of an Innovation Agency and Advanced Technology Institute.

In April 2024 the Board and Callaghan Innovation Management decided to strategically reset the organisation with the intention to narrow the operational focus and reduce our overall footprint. The changes that are underway as a result of this reset will ensure that Callaghan Innovation delivers value for money to New Zealand taxpayers and fulfils its unique role in the science and innovation ecosystem.

We believe innovation is a key contributor to delivering the Government's overarching aim to rebuild the New Zealand economy and Callaghan Innovation is determined to demonstrate the value that can be generated from turning science and innovation into dollars for the economy.

**You have outlined expectations for all Crown Entities that reflect Government priorities, our responses to these are below.**

***Doing our primary role***

Work is underway to refocus Callaghan Innovation to its core functions of an Innovation Agency and Advanced Technology Institute. We will focus all activities on supporting innovative businesses directly to help our customers generate additional commercial revenue from Science, Innovation and Technology. Our science and engineering workforce will focus on working directly with customers, for a fee, and our contribution will be measured by increased productivity, job growth in new-economy areas and additional export income for New Zealand.

***Working in the most efficient and effective way***

We have completed comprehensive work over the last three years to increase efficiencies in the organisation (as can be seen by the reduction in headcount) and several important projects are underway that will deliver further efficiencies to our financial management and grants administration capability. These projects will also significantly increase the organisation's flexibility, responsiveness to new Government initiatives and will enable closer collaboration with other government agencies.

### ***Being fiscally responsible***

Callaghan Innovation will support the Government's economic programme by prudent fiscal management of our assets and finances, and careful management of capital expenditure and investments in accordance with the Crown Entities Act 2004. The specific details of this are outlined in more detail below in 'Financial Expectations'.

### **Priorities in the Science, Innovation and Technology portfolio**

You have also noted that priorities specific to the Science, Innovation and Technology portfolio are yet to be announced. We look forward to receiving these updated priorities, and welcome the opportunity to ensure the Crown's investment in Callaghan Innovation supports Government outcomes. We anticipate that by undertaking our strategic reset now, and demonstrating our ability to create meaningful outcomes for our customers in the short term, we will be well positioned to assist with new or additional areas of focus following the science system review.

We welcome the opportunity to work with the Science System Advisory Group under their mandate to examine how to improve the role and function of Callaghan Innovation, and the role we play with our partners in the wider ecosystem. We will continue to work closely with MBIE to support the advisory group and to make use of the unique insights from our customer base of New Zealand's most innovative companies.

As the Government's priorities emerge on science, innovation and technology, the Board will ensure Callaghan Innovation's medium and long term strategic direction aligns with these priorities.

### **Financial expectations**

In line with our strategic reset, the Board has directed Callaghan Innovation to focus on operating within our funding envelope for 2024/25. As well as progressing work to ensure our expenditure remains sustainable and delivers to government priorities, we are looking at pathways to bring in more income from commercial revenue. We are working closely with MBIE and your officials to ensure that our budget for the 2024/25 financial year is in line with your expectations and delivers value to the New Zealand taxpayer.

9(2)(f)(iv) - Confidential advice to Government

### **Specific priorities for Callaghan Innovation**

#### ***Continue to reduce spend on contractors and consultants***

Consistent with planned operational cost savings and government expectations, we are working to reduce reliance on contractors and consultants in 2024/25. Almost one fifth of current expenditure in this area is to support our Gracefield Innovation Tactical Estates programme, which completes at the end of the 2023/24 financial year. This decrease in contractor and consultant spend into 2024/25 will be further supported with the completion of technology uplift projects over this time, and a general focus on in-house core capabilities.

#### ***Ensure that Callaghan Innovation is financially sustainable***

Details of how we will ensure our financial sustainability are outlined above in 'Financial Expectations'.

***Ensure our measurement impact framework focuses on demonstrating the effectiveness and directly attributable outcomes of our work***

At the start of 2023/24 we commissioned work on a new impact framework to better understand, and subsequently report on, the impact Callaghan Innovation is creating for the innovation ecosystem and the wider New Zealand economy.

The new framework is expected to be operational from 2024/25 onwards. The advice provided to Callaghan Innovation allows us to understand and report our outcomes on a set of indicators that assess commercialisation rates, business growth and innovation capability development. The framework will also allow us to better track macroeconomic trends related to innovation activity.

Operationally, we have measurements against our performance standards (which ensure we are accountable in our delivery against key targets), as outlined in our Statement of Performance Expectation and reported in our Annual Report.

We look forward to continuing to play a key role in the innovation ecosystem, to driving economic growth and to working with you to support the Government's goal of maximising outcomes for New Zealanders.

Nāku noa, nā



Jennifer Kerr  
Board Chair  
Callaghan Innovation