



MP for Wigram

Minister of Energy and Resources

Minister Responsible for the Earthquake Commission

Minister for Greater Christchurch Regeneration

Minister of Research, Science and Innovation

Minister for Government Digital Services

26 MAR 2019

Hon Pete Hodgson
Chair
Callaghan Innovation
PO Box 11529, Manners Street
Wellington 6142
section 9(2)(a) OIA

Dear Pete

ANNUAL LETTER OF EXPECTATIONS FOR 2019/20

I write to convey the Government's priorities and my expectations for your role in achieving these, along with my strategic and performance expectations for Callaghan Innovation in relation to the 2019/20 financial year and beyond.

The Government's priorities are to build a productive, sustainable and inclusive economy and to improve the wellbeing of New Zealanders and their families. Building a modern economy that is fit for the 21st century and beyond means being smarter in how we work. It means an economy that produces and exports higher value goods, one that protects the environment, supports our regions to grow, and one that makes sure all New Zealanders share in the rewards of economic growth. We want every New Zealander to have access to world-class education and healthcare, to live in a home that is healthy and in a community that is safe, and to realise their potential.

I expect Crown entities to work constructively with the Government to meet these priorities.

Priorities for the Research, Science and Innovation portfolio

Our research and innovation systems are key to meeting current and future challenges. We need research, science and innovation to help us understand and tackle social, economic, and environmental problems, improve the sustainable production of goods and services, and deliver effective public services. We need to partner with business to encourage innovation and productivity, and we are introducing the R&D tax incentive to help business increase its R&D expenditure to two per cent of GDP.

Employment and workplace relations

I expect that you will conduct employment and workplace relations generally, and the negotiation of individual employment agreements, collective agreements and organisational policies on pay and conditions, in a manner consistent with the Government's overarching policy for employment and workplace relations. I wish to emphasise that you should meet your Good Employer obligations and work to close gender pay gaps and apply the Gender Pay Principles.

Ensuring a diverse workforce

A diverse and inclusive R&D workforce can improve research productivity and impact, and strengthen the relationship between science and society. In line with MBIE's Diversity in Science Statement, I expect that you will make progress towards the goal of cultivating a science and research workforce that reflects the diversity of Aotearoa New Zealand. This will require efforts to grow capacity to make sure there is a diverse pipeline of talented people, to create an inclusive research environment that is accepting of all people and knowledge systems and to tackle barriers that prevent some groups from progressing or remaining in science and research. I would encourage you to make sure you have a diversity of people and perspectives on all advisory and decision making bodies.

Specific priorities for Callaghan Innovation

I appreciate the achievements of Callaghan Innovation over the last year. Callaghan Innovation has a strong record in delivering its objectives while maintaining high standards of good governance and robust operating systems.

During 2019/20 my specific expectations for Callaghan Innovation are:

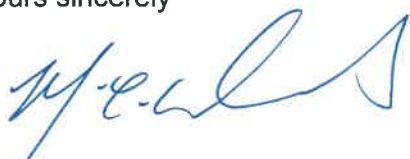
- *Strategic alignment with Government priorities:* I understand that Callaghan Innovation has refreshed its strategy and will be implementing operational changes to reflect its significant role in the R&D tax credit incentive. I ask the Board to maintain close oversight of any significant change, including impacts on Callaghan Innovation's staff and external stakeholders. In implementing its new strategy, I expect Callaghan Innovation to regularly engage with a wide range of stakeholders to shape its service, so they provide pathways for growth from innovation and to clearly describe how these services are expected to achieve increased R&D expenditure.
- *Ensuring robust financial management:* I recognise that Callaghan Innovation is working to keep operational costs within baseline. I expect Callaghan Innovation to ensure robust financial management, with a focus on careful cost management. Where future funding challenges are identified, I expect you to raise these concerns with me early.
- *Maintain focus on delivery of redevelopments at Gracefield:* I ask that Callaghan Innovation continues its good progress in the delivery of redevelopments at the Gracefield site in accordance with its business case, and begins to turn its focus to the development of a long-term strategy for development of the site.

Response

Your advice by 25 March 2019 on how you propose to respond to the expectations set out in this letter would be appreciated.

I look forward to continuing our working relationship over the coming year.

Yours sincerely



Hon Dr Megan Woods
Minister of Research, Science and Innovation

Copy to: Vic Crone, Chief Executive, Vic.Crone@callaghaninnovation.govt.nz

Annex 1: General and good governance expectations

Effective boards

Ensuring the board is, and remains, high-performing is essential. There are many tools to help boards self-assess and improve performance. I expect you to carry out an assessment, using a robust process. Please provide me and the Ministry of Business, Innovation and Employment (MBIE) with a summary of the results of your self-assessment by 29 November 2019, including what steps the board is taking to respond to the results.

Your input into succession planning for the board is also sought. I expect you to provide MBIE with your view of the competency mix you need to work well as a board, along with your thoughts on upcoming appointments and any candidate attributes to target.

Deliver responsible governance with a broader measure of success

I ask you to be part of a public sector that builds a New Zealand we can all be proud of; a public sector that recognises the value of every New Zealander and backs all our people. To do this I expect you to think holistically about the impact of your organisation's plans and programmes prioritising interventions that make the biggest difference to lifting the current and future wellbeing of New Zealanders. In particular, I ask you to strengthen your effort to partner with Māori organisations to improve services and outcomes for Māori.

I expect you to actively promote and develop the diversity of your workforce for the long term to encompass a broad spread of experience, culture, perspective and lifestyle of those who live in New Zealand.

Effective monitoring of entity performance by boards and relationship with MBIE

In addition to setting and driving a strategy that delivers on government priorities, your board is the most important monitor of entity performance. I expect the board to provide me with high quality information and analysis on entity performance against plan, implications for future performance, and risks and opportunities facing the entity.

I expect you to have a constructive working relationship with your monitor within MBIE. This relationship should include active participation and engagement with my officials in the process of setting your organisation's strategic direction and in any review of existing strategies, priorities and plans, and data systems.

I expect you to work with and across government to integrate the work of your organisation with the role and work of other agencies, and to support the state sector stewardship of government departments.

No surprises

The Government has a 'no surprises' policy. No surprises means that the Government expects a board to:

- be aware of any possible implications of their decisions and actions for wider government policy issues
- advise the responsible Minister of issues that may be discussed in the public arena or that may require a ministerial response, preferably ahead of time or otherwise as soon as possible
- inform the Minister in advance of any major strategic initiatives.

I also ask you to avoid 'pre-judging' my potential responses to risks and opportunities. I expect to hear about emerging issues and what major actions the board is considering. My reactions will be based on a range of factors, including the benefits of new initiatives and of taking different approaches to achieve our goals.