

Hon Dr Ayesha Verrall

Minister of Health
Minister of Research, Science and Innovation



Pete Hodgson
Chair
Callaghan Innovation
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14 FEB 2023

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Dear Pete

ANNUAL LETTER OF EXPECTATIONS FOR 2023/24

I write to convey my strategic and performance expectations for Callaghan Innovation in relation to the 2023/24 financial year and beyond, on behalf of shareholding Ministers.

Te Ara Paerangi - Future Pathways

Te Ara Paerangi Future Pathways is a multi-year programme focused on the future of Aotearoa New Zealand's research system. The programme involves an open and wide-ranging conversation on the issues facing the research system, how these might be addressed, and how to take advantage of emerging opportunities within our sectors.

Thank you for the involvement from leadership, management, researchers and staff on the process so far, including for the range of submissions in response to the Green Paper. Your engagement is helping to progress the science system for Aotearoa New Zealand. I have appreciated that Boards have enabled staff to participate throughout this process.

Through the consultation, we heard a strong desire for transformative change, and the White Paper marks the beginning of the transformative process to respond to the issues raised in consultation.

The White Paper sets out the vision for our future research, science and innovation system and includes key policy directions and actions we are pursuing. It also provides a roadmap to implementation and demonstrates how we will continue to work with the sector as the reform progresses.

Key policy directions for the research, science and innovation reform are set out over four objectives:

- **Creating New Futures** through new National Research Priorities and incentivising connections with the private sector to increase impact.
- **Valuing Our People** so we can attract, develop and retain an excellent and diverse workforce.
- **Building System Agility** so that our funding, institutional and governance structures support an adaptable, resilient and future-focused system.
- **Embedding Te Tiriti** across the design of the RSI system to address the current system's poor responsiveness to Māori.

Your work and input are vital to the reform, and we look forward to your ongoing contributions.

Aligned with the work currently underway on Te Ara Paerangi Future Pathways, it is expected that entities will:

- Incorporate a system-wide perspective in collective strategic planning, and meaningfully engage with key participants in the system.

- Implement a collective approach to capital planning, co-locating and resource sharing with relevant parties where this opportunity exists, to provide resilient investments across the Crown.
- Clearly articulate how you have considered co-location of research facilities in business cases for significant capital investments.
- Give effect to Te Tiriti O Waitangi obligations and expectations, and contribute towards the Tiriti Statement for the research, science and innovation system.
- Build strategic relationships with government, other research organisations, Māori, businesses, international organisations and other key stakeholders.
- Continue to maintain and invest in capability and infrastructure for the benefit of New Zealand where appropriate.

Research, Science and Innovation Property Portfolio

There is significant potential for research system performance improvements from co-location of research facilities with other CRIs and with Universities. We expect you to continue to work in good faith with my officials to achieve this outcome, and we expect any business cases you develop for significant capital investments to clearly articulate how you have considered co-location of research facilities. Shareholding Ministers' approval of business cases will in part be contingent on co-location being adequately considered.

The current work underway in relation to the Wellington Science City is an example of exploring the co-location opportunities of several CRIs and relevant stakeholders with the vision of creating science and research hubs within the capital. Thank you to those involved in the process, and we look forward to seeing how this work develops.

Board of Directors

Boards have an important role in leading organisations through change. I look forward to working with you to ensure that your Board is well positioned to support your organisation through the Te Ara Paerangi – Future Pathways process.

I encourage Callaghan Innovation to explore the option of appointing potential Future Directors to your Board in a learning capacity, as a way to increase the diversity of perspectives and develop potential directors within the research, science and innovation system.

Ensuring the Board is, and remains, high performing is essential. I expect you to carry out an annual evaluation that is ideally conducted by an independent evaluator, and provide my officials with a summary of the results by the end of each calendar year, or at a later date by agreement with officials.

Specific priorities for Callaghan Innovation

During the 2023/24 financial year, in addition to my expectations above, I expect you will focus on the following areas:

- Start-up and founder well-being: Continue the work to support founder and good conduct in the innovation eco-system including the Code of Conduct and complaints reporting mechanism. We cannot have an effective start-up and innovation sector unless it is a safe environment in which to participate.
- Focus on new grants: Work closely with MBIE to ensure that the new grants are a success and contribute to increasing innovation in New Zealand.

- RSI sector that drives economic growth: The Government is focused on growing our economy and it is important the RSI sector is a key contributor. Callaghan Innovation has a critical role to play with its purpose to accelerate the commercialisation of innovation. I want Callaghan Innovation to increase its strategic engagement with the sector to maximise commercialisation opportunities.
- Financial management and forecasting: Continue to improve management of Callaghan Innovation's financial performance and position, and ensure the path to financial sustainability is managed within existing funding and available reserves.
- Wellington Science City Proposal: Actively support and constructively engage with the work underway in relation to the Wellington Science City proposal for Wellington to ensure the full benefits of this initiative are realised.
- Gracefield Innovation Quarter: Ensure the Gracefield development is achieved by June 2024 and within the existing funding envelope.

Hon Dr Megan Woods' 2022/23 Letter of Expectations outlined a range of expectations for entities within the research, science and innovation sector, including in relation to Government priorities, Te Ao Māori, workforce inclusion and use of technologies, as well as entity-specific priorities. It is expected Boards will continue to progress work towards these areas where appropriate.

Entities should continue to follow the advice outlined in the Minister of State Services and Minister of Finance's Letter of Enduring Expectations. Furthermore, I expect entities to inform my officials of emerging issues and how the Board is planning to respond, and follow the general and good governance expectations provided to Boards.

Response

Your advice by 17 March 2023 on how you propose to respond to the expectations set out in this letter would be appreciated. I expect that you will keep my officials up to date on your progress towards meeting my expectations throughout the year, including when my priorities are not being progressed.

Thank you again for the hard work and contributions of the Board, management team and staff.

Yours sincerely



Hon Dr Ayesha Verrall

Minister of Research, Science and Innovation

Copy to: Dr Stefan Korn, Chief Executive, Callaghan Innovation