

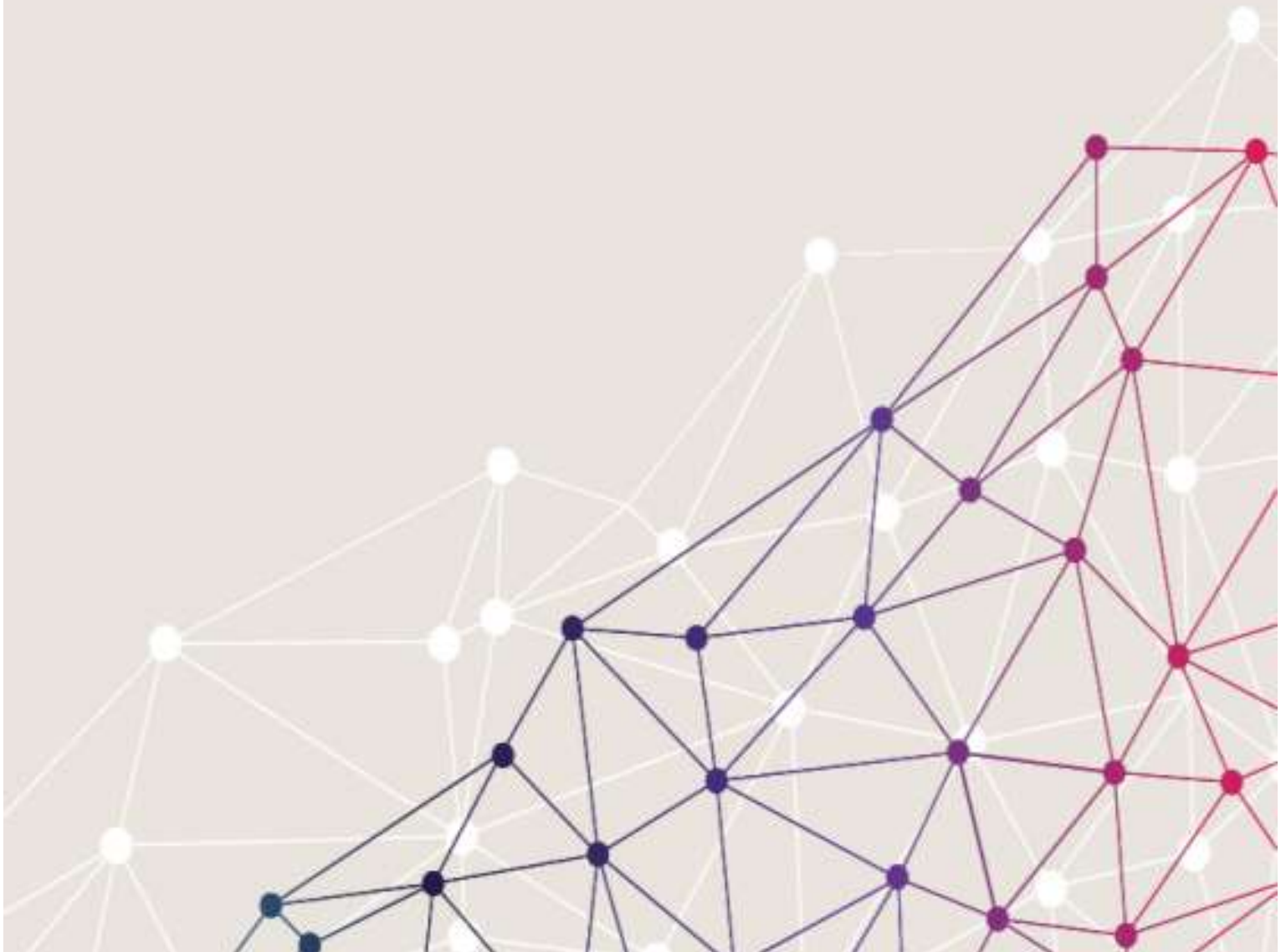
**Regional Research Institutes**

# **Performance Framework Guidance Document**

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## Introduction

The Regional Research Institutes (RRI) fund is intended to establish research institutes outside the main population centres of Auckland, Wellington and Christchurch that maximise the unique business, technology and economic growth opportunities in their respective regions.<sup>1</sup> These new research institutes are intended to support and further enhance regional advantage in New Zealand by stimulating leading edge, industrially exploitable and commercially focused research. The Government's role is to catalyse the establishment of RRIs in a way that incentivises them to become self-sustaining over time<sup>2</sup>, supporting the initiation of both operational and research activities.

More detail on the RRI initiative and the process for awarding funding can be found at <http://www.mbie.govt.nz/info-services/science-innovation/funding-info-opportunities/investment-funds/regional-research-institutes>.

## Purpose of this Document

The RRI Performance Framework sets out how MBIE will monitor and evaluate:

- > RRI contracts
- > The RRI investment and policy as a whole

The Framework is intended to deliver transparent, comparable information on the outcomes of investments across RRI investments. The performance information is intended to inform future investment decisions.

## Who is it intended for

The principal audiences for the Framework are MBIE staff and RRI contractors.

The Framework outlines the monitoring and evaluation tools that allow **MBIE** to understand how RRI contractors are progressing towards achieving their Work Programme and the overall alignment of the investment with the intended outcomes of the RRI fund.

The Framework provides **RRI contractors** with the context for the reporting and review requirements specified in RRI contracts with MBIE, and provides high-level guidance on how MBIE monitors and evaluates RRI funding.

MBIE will provide RRIs with more detailed guidelines on the reporting and review processes, which will be consistent with this Framework.

## MBIE interaction with RRIs

MBIE Investment Managers will have regular informal interactions with the RRIs, which will allow MBIE to monitor progress of the RRIs outside the formal reporting process. It is expected that interactions between MBIE and RRIs will take the form of a relationship model, rather than being purely transactional.

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<sup>1</sup> Vote Business, Science and Innovation - Vol 1 Economic Development and Infrastructure Sector - Estimates of appropriation 2017-18 Budget 2018, p91.

<sup>2</sup> The Regional Research Institutes Initiative Call for Proposals 2016, p2. Available at <http://www.mbie.govt.nz/info-services/sectors-industries/regions-cities/document-and-image-library/rri-call-for-proposals.pdf>

An MBIE observer, usually the lead Investment Manager, will attend meetings of each RRI's company board or governance group.

## **Objective and Outcomes of the RRI Initiative**

Research and innovation are central to achieving improved economic, environmental, social and cultural outcomes for New Zealand.

A majority of government support for business research and development (R&D) and for public research activity flows to our main population centres due to their strong capacity for utilising resources. Directing government R&D support into regions where there are unique comparative economic advantages emerging, but where local innovation systems are less developed, can help to grow the local economy.

Additionally, Government is committed to encouraging New Zealand's business sector to grow its expenditure on R&D. This is because R&D activity conducted within business has a strongly positive impact on business innovation and business-level productivity.

New research institutes will support and further enhance regional advantage in New Zealand, and encourage business to increase their expenditure on R&D, by stimulating leading edge, industrially exploitable and commercially focused research.

### **Outcomes sought from the RRI initiative**

At a high level, the following outcomes are sought from the RRI policy:

- > Institutes will grow regional economies in ways that support a wide range of innovative activities by businesses, including knowledge exchange between researchers and businesses.
- > Institutes will maximise the unique business, technology and economic growth opportunities in their respective regions.
- > Institutes will congregate and develop their own 'in-house' expertise, but will also facilitate and integrate researchers from other New Zealand institutions, or from overseas, into their mix of activity.
- > Institutes will bring new research activity into the regions whilst meeting industry demand in their host region and possibly across several regions due to the nature of their industry engagement.
- > Institutes will achieve ongoing financial sustainability beyond initial government support.

Operationally, the outcomes achieved by the RRIs will depend on the phase in which the RRI is operating (Establishment, Build, Sustain). These outcomes are described in greater detail in Table 1.

Table 1: RRI outcomes by operational phase

Phase	Description
<p>Establishment (Short term; e.g. Years 0-1.5)</p>	<p>This phase is characterised by the RRI having in place the resources, capabilities, processes and documentation required to operate as a research institute. By the end of the Establishment Phase the RRI will have:</p> <ul style="list-style-type: none"> <li>&gt; Set up the legal structure of the organisation</li> <li>&gt; Established a governance model</li> <li>&gt; Employed the Executive team and staff</li> <li>&gt; Determined a fit-for-purpose business model</li> <li>&gt; Established the administrative and operational procedures including Health and Safety.</li> </ul> <p>In addition, the research agenda for the organisation will be defined, key relationships identified and research projects will be getting underway. Processes to manage stakeholder engagement and ensure project delivery and science excellence will have been established.</p> <p>The RRI will have identified and begun to establish relationships with key stakeholders and end users. The RRI will have identified additional sources of funding that will contribute towards its longer term financial sustainability.</p>
<p>Build (Medium term; e.g. Years 1-3)</p>	<p>This phase is characterised by the RRI building its capabilities, research programme, relationships and financial sustainability.</p> <p>Research programmes aligned to end user needs will be underway, and some may be starting to deliver new processes and products to end users. Research relationships and collaborations will be established, including iwi/Maori, researchers, stakeholders and international. Hiring of the core organisational capability, including science capability will be complete and necessary infrastructure (hardware / software / research instruments) will have been acquired.</p> <p>The business model will have been finalised and business opportunities identified. Initial business relationships will be strengthened and new partnerships established. The financial position of the RRI will be strengthening with growth in revenue streams from both government and industry. The reputation and recognition of the organisation as a research institute will be growing.</p> <p>The RRI research programme will be aligned to the government’s Vision Mātauranga policy.</p>
<p>Sustain (Long term; e.g. Years 4+)</p>	<p>This phase is characterised by well-developed business practices, strong in house science capability, demonstrated science excellence, mature relationships, evidence of end user uptake / impact and financial sustainability.</p> <p>The RRI will be undertaking research that is externally and internationally recognised as excellent quality. Research capacity will be expanding, with increases in the number of research staff employed by the RRI. The research organisation will be collaborative and have well established relationships with iwi/Maori, researchers, stakeholders and international. Research and commercial activities will be innovative and developing new knowledge. The RRI will be entering into new markets and expanding its product portfolio. The science and</p>

	<p>innovation capability of the region will have grown.</p> <p>The RRI will have a strong reputation and recognition as a research institute that makes a significant contribution to the local economy, and possibly to the economy of other regions. The RRI will have strong relationships with business and have 'repeat customers'. There will be a demonstrable uplift in regional growth supported by companies that collaborate with the RRI.</p> <p>The RRI will be transitioning from dependence on RRI funding and will be accessing revenue from other funding sources, including other government science funding and from end users.</p> <p>The RRI research programme will be aligned to the government's Vision Mātauranga policy.</p>
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## Key Elements of Performance Monitoring

### Outcome statement

The Outcome Statement in Table 1 describes the desired outcomes from the RRI initiative in the short, medium and long term. It provides the link between the activities of RRIs and the achievement of the overall policy objective of the RRIs. Each RRI will develop a set of key performance indicators (KPIs) to measure progress towards the desired outcomes described in Table 1.

### Key performance indicators

The KPIs form part of the contract with MBIE. Each RRI will agree with MBIE a set of KPIs to measure the delivery of the Work Programme against the performance areas specified below:

- > **Science Excellence:** The RRI has robust internal processes to ensure science excellence and there is external recognition of science excellence.  
Measures will include external review of research programme, validation of science excellence and management of project delivery.
- > **Science Impact:** The RRI is developing new knowledge and opportunities, and is working with business to lift business innovation and competitiveness in the region.  
Measures will include case studies/highlights, IP development, regional uptake and technology transfer.
- > **Capability:** The RRI is developing its own 'in-house' science capability and also facilitates and integrates researchers from other NZ institutions, or from overseas, into its mix of research activity. Science and Innovation capability within the region is increased.  
Measures will include in-house research capability and research collaboration.
- > **Vision Mātauranga:** The RRI investment is aligned to the Vision Mātauranga policy where relevant. Projects are co-designed to meet the needs and aspirations of Māori.  
Measures will include VM strategic alignment, co-development and design of research projects and knowledge transfer to Māori end users.
- > **Governance:** The RRI has strong independent skills-based governance and management arrangements.

Measures will include the formal review of governance arrangements.

- > **Sustainability:** The RRI is moving toward long term financial independence from RRI funding.

Measures will include levels of project co-funding and external revenue generation.

KPIs should measure progress towards the achievement of the RRI policy objective and the desired short, medium and long term outcomes as described in Table 1. More detailed information on each of the performance areas can be found in Appendix One, along with examples of KPIs that the RRI could adopt across the three phases.

Individual measures in themselves are indicators of the progression of each RRI toward their goals and the intent of the funding. However it is the picture the KPIs provide overall that is important in understanding the state of each RRI.

MBIE recognises that, as new entities, progression is not linear and there needs to be balance in KPI targets that reflect individual circumstances and the maturity of each organisation. The phases of development described in Table 1 are a means of accommodating this as each RRI moves from establishment to full operation over time. RRIs should work with their MBIE Investment Manager to agree how these phases and related KPIs are applied noting that it is possible that an RRI may simultaneously be in different phases depending on the specific performance area. These differences can be captured in the target dates that are set for each KPI. KPIs may be updated by agreement between MBIE and the RRI, to reflect changes as each RRI progresses.

### **Work programme**

Each RRI contract will include a Work Programme describing the establishment of the RRI, its ongoing management and governance, and delivery of its Research Programme. Each RRI is obliged to use its best endeavours to deliver the Work Programme, and has contractual obligations to use the funding for purposes specified in the RRI contract.

## **Process for Performance Monitoring and Evaluation of RRIs**

### **Annual Progress Reporting process**

Each RRI will provide an annual progress report no later than 31 July each year covering the delivery of the RRI Work Programme against the contract over the previous year. This will include a narrative annual progress report, data on each KPI and project-level reporting. The report will also contain a forward-looking plan, outlining any proposed changes to the RRI's activities as described in the Work Programme.

MBIE will assess the performance information provided by each RRI and other knowledge gained from its regular interaction with each RRI's governance group and management team, and any other information that it may collect. MBIE will provide feedback to the RRIs in writing, which may be followed up by a discussion with each RRI.

MBIE expects a RRI governance group to take remedial action if the progress reported in the annual progress report does not meet MBIE expectations. Significant departure from expectations may result in a Change Event as per the RRI Investment Contract.

**Indicative timeline for the RRI Annual Progress Reporting process**

Type of Monitoring	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT
MBIE issues updated Annual Progress Reporting guidelines								
IMS opens for Annual Progress Reporting					1 Jul			
RRIs submit Annual Progress Reports					31 Jul			
MBIE assesses Annual Progress Reports								
MBIE provides feedback to RRIs								

**RRI performance reviews**

**End of term review**

MBIE will conduct a review of each RRI contract prior to the last year of the contract. Further guidance on this review will be provided closer to the time.

**Policy review**

MBIE may review the RRI funding mechanism prior to the completion of the RRI contracts to inform policy decisions about the future of the fund.

**Ad hoc reviews and audits**

Besides the scheduled reviews outlined above, MBIE may choose to carry out ad hoc reviews of RRIs. MBIE may also commission an audit of records relevant to RRIs when MBIE considers it necessary.

**Next Steps**

**Annual Progress Reporting**

Given the early development stage of the RRIs, reporting for 2017/18 will have a reduced format. RRIs will receive separate guidance on the 2017/18 reporting requirements.

From 2019, a full annual progress report will be required. Guidelines will be provided in May 2019.

**Development of key performance indicators**

Each RRI will discuss and agree the suite of KPIs with its MBIE Investment Manager in accordance with its funding contract. These will be reported on and assessed in full in 2018/19. Consistency is preferable in the nature of agreed KPIs across RRIs. However, this may not be possible given that each RRI is at a different stage and will be in discussions with MBIE at different times. MBIE Investment Managers will undertake an internal moderation of KPIs across RRIs, to ensure a consistent approach when agreeing indicators with RRIs. KPI measures will be reviewed with each RRI prior to 2019/20 reporting.



## Appendix One: Example Framework for the RRI Key Performance Indicators

- > Each RRI will be assessed annually on the basis of the following performance areas.
- > To tell its performance story, each RRI will report through a mix of indicators and annual report narrative.

Performance Area	Growth Phase	KPI Measures	Potential Target <small>KPI may have different targets depending on the growth phase it is in or may span all three phases</small>	Target date <small>When do you want to report on this measure? (Annually, by a certain date, or across a range of dates)</small>
<b>Science Excellence</b>  Robust internal processes to ensure excellence  External recognition of science excellence  Appointment and use of independent advisors  Evidence may include publications, technical reports for users, research funding success, conference invitations	<b>Establishment</b>	External review of research	Appointment of Independent Science Panel	By X date
		Evidence of science excellence	Satisfactory Independent Science Panel review of science programme and strategy	By X date or annually
	<b>Build</b>	External review of research	Independent Science Panel meet regularly (X times) to prioritise science programme	By X date or annually
		Management of project delivery	X% projects milestones on track	By X date or annually
		Evidence of science excellence	X publications per annum	By X date or annually
	<b>Sustain</b>	External review of research	Independent Science Panel meet regularly (X times) to prioritise science programme	By X date or annually
		Management of project delivery	X% projects milestones on track	By X date or annually
		Evidence of science excellence	X publications per annum	By X date of annually
	<b>Science Impact</b>  Developing new knowledge and	<b>Establishment</b>	Case studies/highlights	X number of case studies/highlights
Uptake by regional science stakeholders			X number of key regional relationships established	By X date or annually

<p>opportunities</p> <p>Working with business and lifting regional business innovation</p> <p>Increasing competitiveness of regional business</p> <p>Evidence may include end user case studies, development of new IP, Technology uptake and transfer to end users</p>	<b>Build</b>	Case studies/highlights	X number of impact case studies	By X date or annually
		Development of new IP	X number of patent applications	By X date or annually
		Uptake by regional science stakeholders	X number of projects with end user uptake	By X date or annually
			\$\$ Commercial revenue from regional businesses	By X date or annually
			X number new products, processes or services developed and transferred to end users	By X date or annually
	<b>Sustain</b>	Case studies	X number of impact case studies	By X date or annually
		Development of new IP	X number of patent applications	By X date or annually
		Uptake by regional science stakeholders	X number of projects with end users	By X date or annually
			\$\$ Commercial revenue from regional businesses annually	By X date or annually
			X number new products, processes or services developed and transferred to end users	By X date or annually
<b>Capability</b>	<b>Establishment</b>	In house research capability	X number of scientists (senior, mid-career, students) employed	By X date or annually
		Integrating research	X number of secondments/fellowships	By X date or annually
	<b>Build</b>	In house research capability	X number of scientists (senior, mid-career, students) employed	By X date or annually
		Integrating research	X number of secondments/fellowships	By X date or annually
		Research collaboration	X number of substantive research collaborations (>\$30k)	By X date or annually
	<p>Developing in house science capability</p> <p>Facilitating and integrating researchers from other NZ institutions and from overseas</p> <p>Evidence may include an increase in local research intensity through in-house research; co-development of research with end users and</p>			

collaborative activities with other research providers		Number of joint publications	X publications with collaborators	By X date or annually	
		Creating a science platform	\$\$ invested in infrastructure	By X date or annually	
	<b>Sustain</b>		Number of FTE scientists employed	X number of scientists (senior, mid-career, students) employed	By X date or annually
			Number of target secondments	X number of secondments/fellowships	By X date or annually
			Number of substantive research collaborations (>\$30k...)	X number of substantive research collaborations (>\$30k)	By X date or annually
			Number of Joint publications	X publications with collaborators	By X date or annually
			Creating a science platform	\$\$ invested in infrastructure	By X date or annually
<b>Vision Mātauranga</b>  Investment is aligned where relevant to VM policy  Evidence of incorporation of VM into research development and through engagement with user communities	<b>Establishment</b>	VM strategic alignment	Evidence of organisational commitment to VM	By X date or annually	
	<b>Build</b>	Relationship building	Evidence of Māori engagement in research development	By X date or annually	
		Co-development and design of research projects	Number and \$ value of projects with Māori stakeholders embedded in research projects	By X date or annually	
	<b>Sustain</b>	VM research capability development	Evidence of Māori engagement in research development	By X date or annually	
		Knowledge transfer to Māori end users	Number and \$ value of projects with Māori stakeholders embedded in research projects	By X date or annually	
<b>Governance</b>  Strong independent skills based governance arrangements  Evidence may include the being able to demonstrate that appropriate	<b>Establishment</b>	Review of RRI governance arrangements	Independent review is satisfactory or better	By X date or annually	
	<b>Build</b>	Review of governance arrangements	Regular self-audit of governance arrangements	By X date or annually	
	<b>Sustain</b>	Review of RRI governance arrangements	Regular self-audit of governance arrangements	By X date or annually	

governance audit structures are in place				
<b>Sustainability</b>  Moving toward long term sustainability demonstrating that financial stability is achievable through new revenue streams and research funding sources	<b>Establishment</b>	Leveraging co-funding of projects	X number of co-funded projects	By X date or annually
		Accessing research funding	\$\$ of new research funding	By X date or annually
	<b>Build</b>	Leveraging co-funding of projects	X number of co-funded projects	By X date or annually
		Rising trend in external revenue generation	\$\$ of new research funding	By X date or annually
		Progression toward financial independence	% research revenue not from RRI fund	By X date or annually
	<b>Sustain</b>	Leveraging co-funding of projects	X number of co-funded projects	By X date or annually
		Rising trend in external revenue generation	\$\$ of new research funding	By X date or annually
		Progression toward financial independence	% research revenue not from RRI fund	By X date or annually