

# CallaghanInnovation

TO	Hemi Rolleston, Acting Chief Executive
DATE	30 January 2017
FROM	s9(2)(a)
SUBJECT	<b>Letter of Offer for contract variations to technology incubators:</b> Out of scope and Powerhouse Ventures.

## Purpose

1. This memo seeks your agreement and signature to the attached Letter of Offer for contract variations to Out of scope Powerhouse Ventures. The letters which outline the offer are attached as Appendix A.
2. The main changes included in the contract variations include:
  - extending the contract end date from 30 June 2017 to 30 June 2019;
  - an allocation of repayable loans and pre-incubation grants for the two-year extension period;
  - an award of operational funding for the two-year extension period.
3. There are further individual conditions as set out in the letters with further information provided in the overall assessment attached as Appendix B.
4. The contract variations documents will be sent to the incubators in February 2017.

## Background

5. The technology incubators are part of the pilot Incubator Support Programme (the programme). The initial phase of the pilot covers the three-year period 1 July 2014 – 30 June 2017.
6. In 2016, MBIE completed a review of the programme and the then Minister for Science and Innovation agreed to extend the pilot for an additional two years 1 July 2017 – 30 June 2019. The Minister agreed that Callaghan Innovation could extend the contract period for technology incubators without going through an RFP process.
7. Callaghan Innovation invited the incubators to provide an updated business plan for the two-year extension period. The information requested included:
  - A summary of the long-term vision for the incubator and the steps planned to work towards this vision over the two-year extension period.
  - The number of repayable loan and pre-incubation grants that the incubator plans to achieve over the period with an expectation of 2 to 1 ratio of pre-incubation to repayable loans.
  - Key learnings from the programme to date and how these will be considered and implemented.
  - A budget for the two-year period which considers the policy expectation that "operating funding for incubators be gradually decreased, with an overall target of

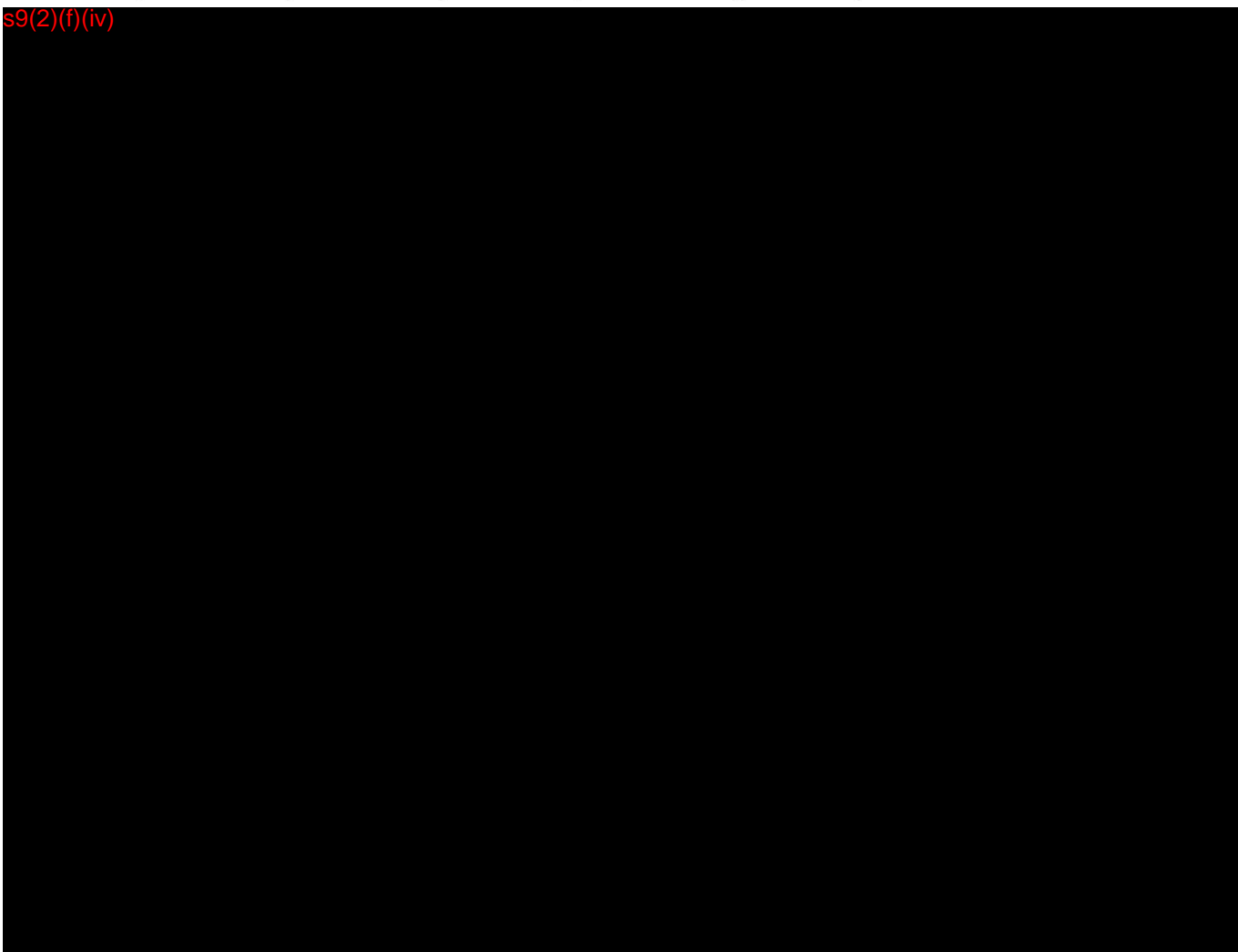
25 to 35 percent of total revenues (as a percentage of incubators' total income) during the three to five years of the pilot, with exception for regionally based incubators".<sup>1</sup>

8. Appendix A sets out our Letter of Offer for contract variations for each incubator.
9. Appendix B provides an overview of the key points provided in each business case received from the incubators and Callaghan Innovation's assessment completed by the Start-up Manager in consultation with the Risk and Assurance Manager.

**Overview of proposed operational funding to be awarded**

10. The operational funding amounts provided to the technology incubators over the first three years of the pilot were negotiated as part of the original RFP process.

s9(2)(f)(iv)



**Next steps**

14. Subject to your agreement and signature, the attached Letters of Offer will be sent to **Out of scope** Powerhouse Ventures. We have committed to sending the Letters to the incubators by 31 January 2017.
15. Contract variation documents will be sent to the incubators in February 2017.

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<sup>1</sup> Incubators established in the regions are not expected to achieve the same level self-sustainability, and therefore can continue to receive operational funding targeted at 50 per cent.

*Follow-up actions to the MBIE review*

16. The 2016 MBIE review of the Incubator Support Programme found that there was uncertainty about the objectives of technology incubators and the purpose of repayable loans. It also suggested that any extension of funding is accompanied by clearer performance expectations.
17. In November 2016, Callaghan Innovation hosted a workshop with the technology incubators and MBIE officials. The workshop sought the technology incubators' input into a set of guidelines for the repayable loans including examples of the types of businesses which are eligible (and ineligible). The workshop also included a discussion on performance measures.
18. Callaghan Innovation is continuing to work with MBIE to develop guidelines on repayable loans. We are also developing an intervention logic to clarify the objective of technology incubators and performance measures at the start-up, incubator and system levels.
19. These documents will be provided to the incubators over the next month for further input. Once finalised, the documents will be provided to the Minister as part of a MBIE-led policy briefing as a follow up to the review.
20. In preparation for the performance review to be carried out by MBIE in 2018, further KPIs and measures of success will be incorporated into technology incubator reporting templates.

**Recommendations**

21. It is recommended that you:

- Agree and sign the attached Letter of Offer for technology incubator Out of scope  
AGREE / DISAGREE
- Out of scope Agree and sign the attached Letter of Offer for technology incubator Out of scope  
AGREE / DISAGREE
- Agree and sign the attached Letter of Offer for technology incubator Powerhouse Ventures  
AGREE / DISAGREE

## Appendix A – Letters of Offer

## Appendix B – Assessment of technology incubator business cases

Out of scope



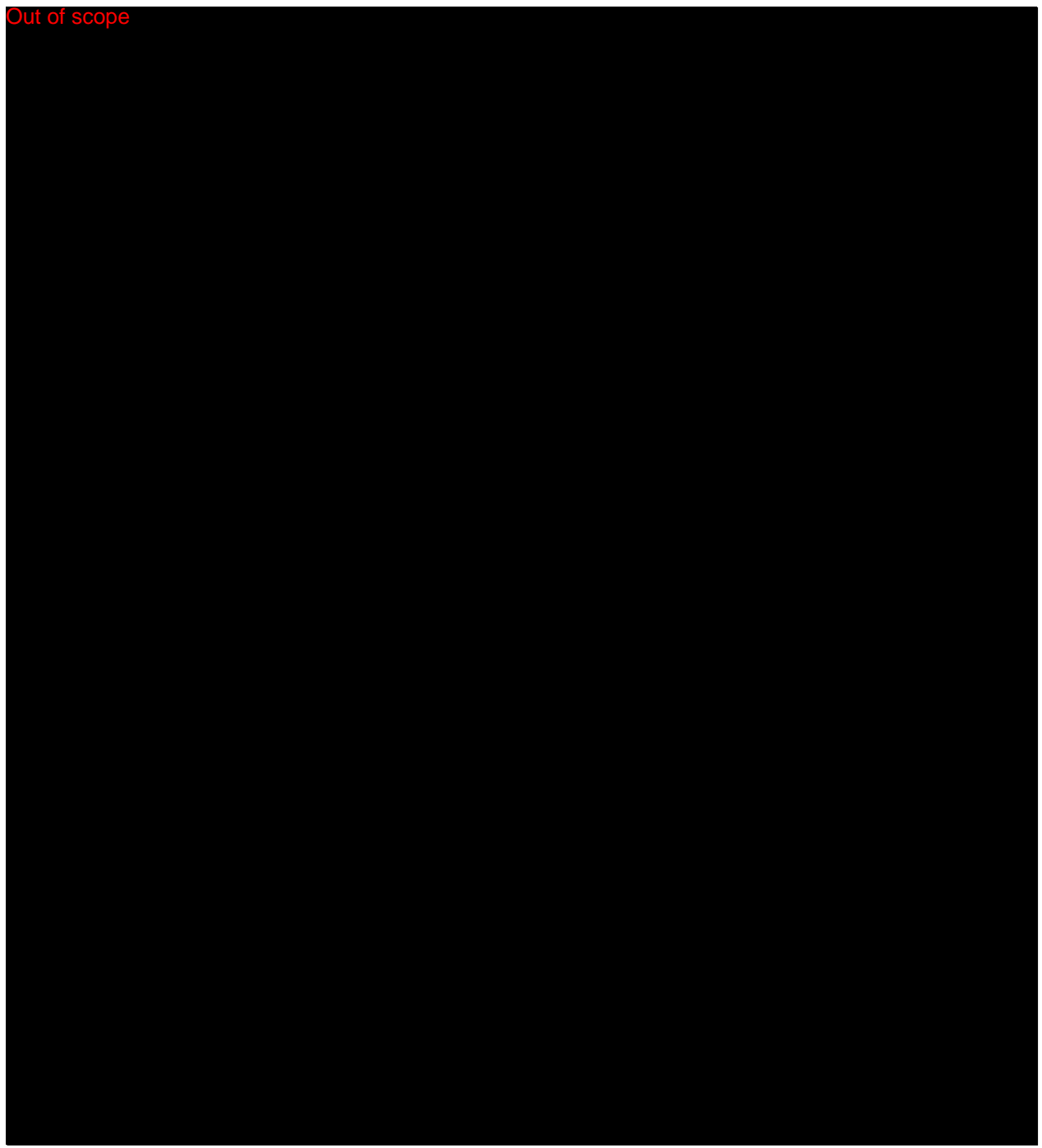
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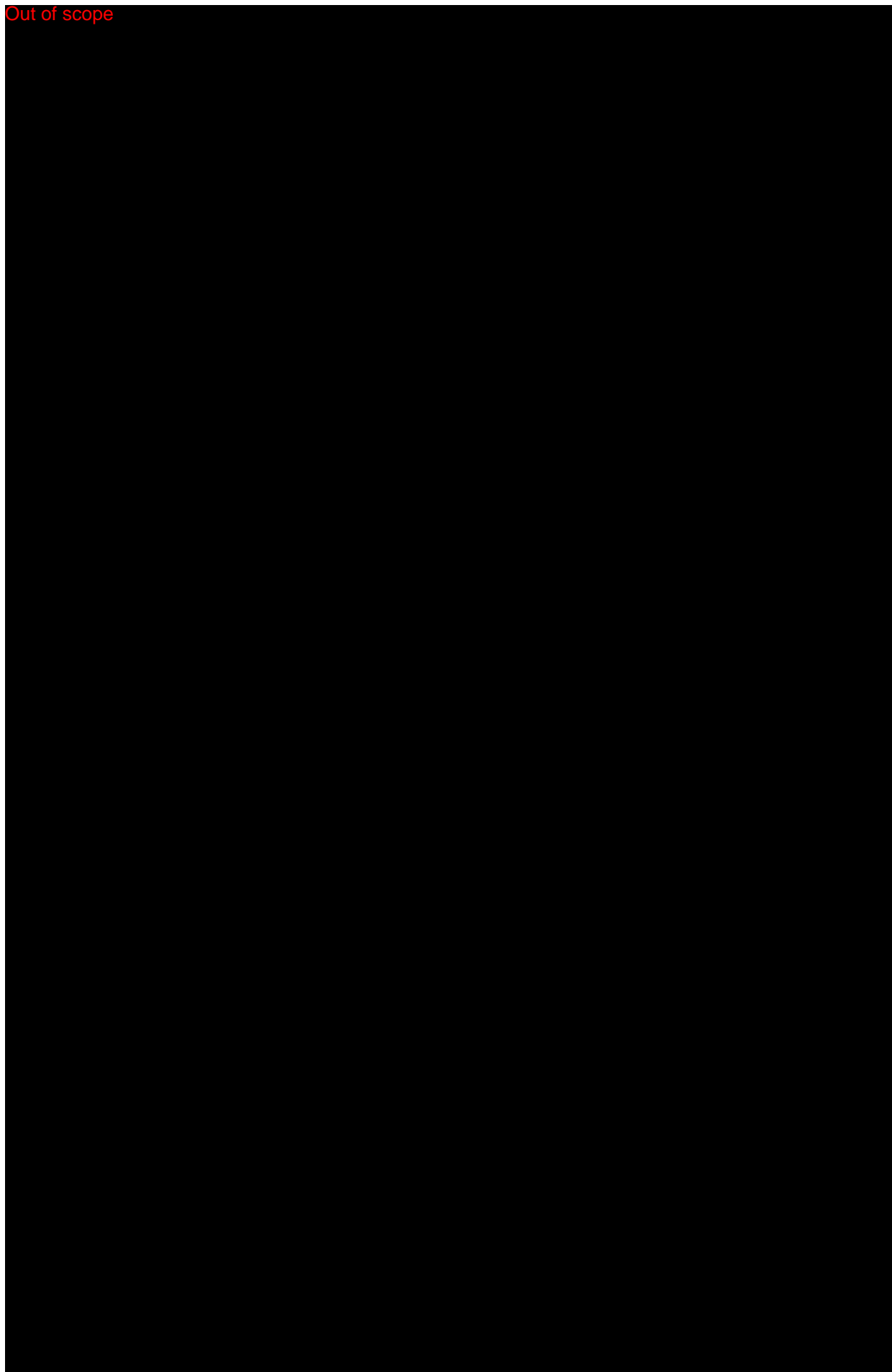
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Out of scope

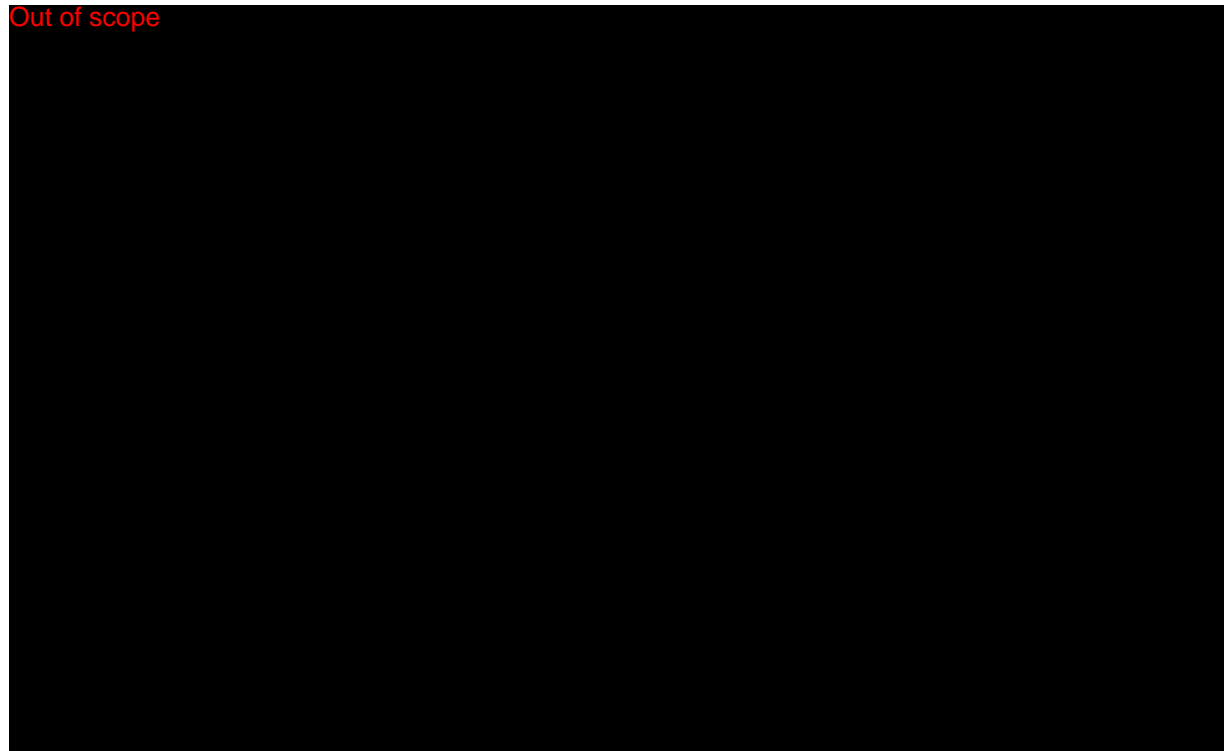


Out of scope





Out of scope




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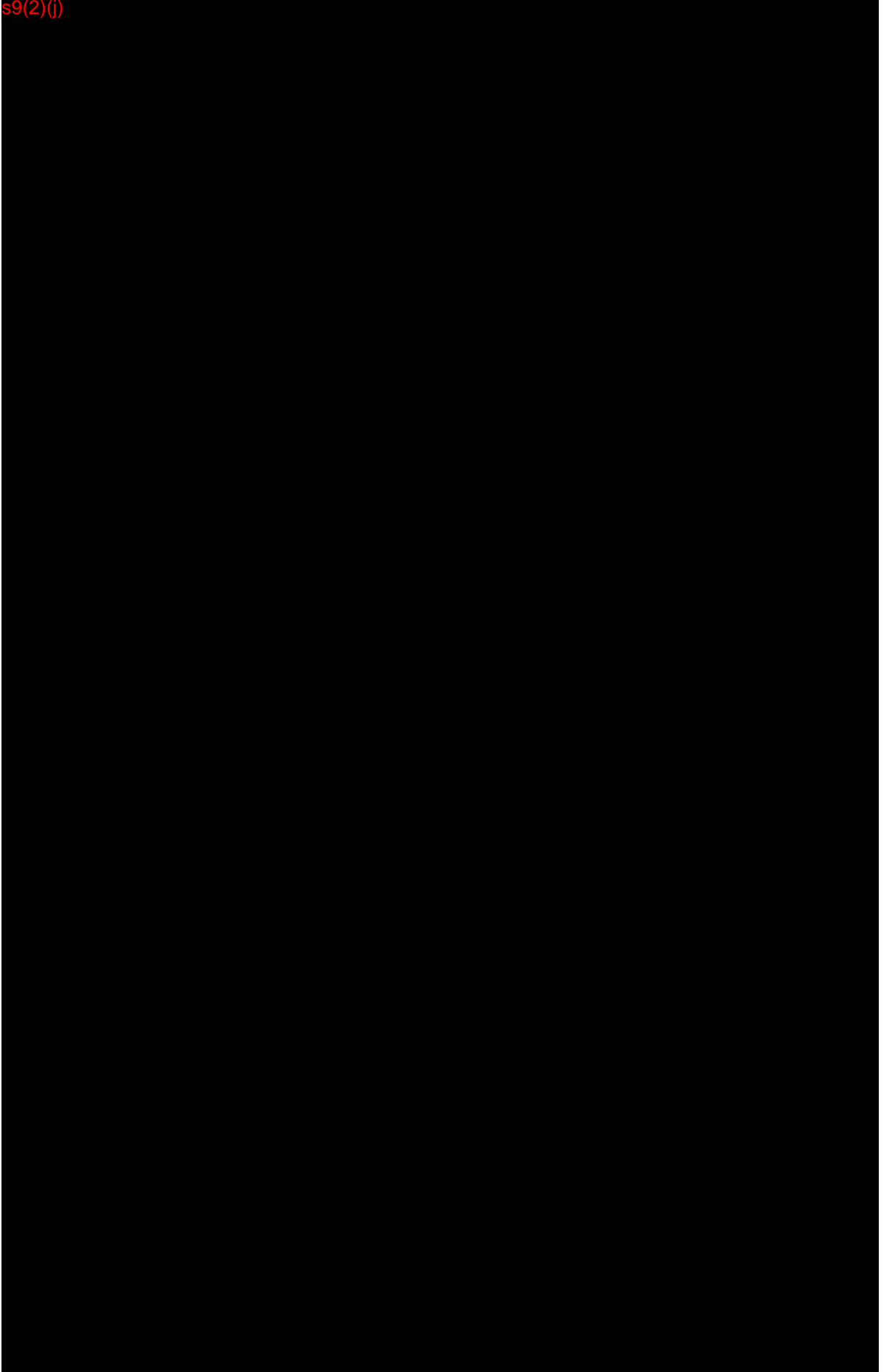


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Out of scope



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