

# Statement of Performance Expectations 2021 - 2022

He tau ki mō te whakatutukitanga  
o ngā wawata 2021 - 2022

# Contents | Ngā Ihirangi

<b>Foreword – From our Chair   Kupu Takamua Nā te Heamana</b> .....	<b>6</b>
<b>Introduction   He Kupu Whakataka</b> .....	<b>7</b>
<b>About Us</b> .....	<b>7</b>
<b>About this document</b> .....	<b>8</b>
<b>Our Strategic Directions for 2020 - 2024</b> .....	<b>8</b>
How we will align with the New Zealand Health Research Prioritisation Framework...	<b>8</b>
Further involvement in NZHRS Implementation.....	<b>9</b>
<b>What we will deliver in 2021/22: an overview</b> .....	<b>9</b>
<b>Statement of Performance Expectations   He tauāki mō te Whakatutukitanga o ngā Wawata</b> .....	<b>12</b>
<b>Output 1: Fostering excellence and innovation</b> .....	<b>13</b>
Scope of the Output .....	<b>13</b>
Our Annual Contestable Funding Round .....	<b>13</b>
What's new for Health Delivery in 2021? .....	<b>13</b>
Support for Independent Research Organisations.....	<b>15</b>
Enhancing our processes .....	<b>16</b>
Our performance indicators for Output 1 and how they fit with our Statement of Intent...	<b>17</b>
<b>Output 2: Connecting for greater impact</b> .....	<b>18</b>
Scope of the Output .....	<b>18</b>
The Partnership Programme.....	<b>18</b>
International Partnerships.....	<b>20</b>
Our performance indicators for Output 2 and how they fit with our Statement of Intent...	<b>21</b>

<b>Output 3: Strengthening skills and growing a diverse workforce</b> .....	<b>22</b>
Scope of the Output.....	<b>22</b>
Advancing Māori health through building the research workforce.....	<b>22</b>
Developing the Pacific health research workforce.....	<b>23</b>
Supporting future research leaders.....	<b>23</b>
Strengthening research skills in health professionals.....	<b>23</b>
Our processes .....	<b>24</b>
Our performance indicators for Output 3 and how they fit with our Statement of Intent...	<b>25</b>
<b>Output 4: Keeping the health research system ethical and safe</b> .....	<b>26</b>
Scope of the Output.....	<b>26</b>
The work of our ethics and regulatory committees.....	<b>26</b>
Our performance indicators for Output 4 and how they fit with our Statement of Intent...	<b>27</b>
<b>Forecast Financial Statements   He Matakite ā-Tahua Putea</b> .....	<b>28</b>
Responsible management of our finances and reserves.....	<b>28</b>
Forecast Statement of Comprehensive Revenue and Expenses.....	<b>30</b>
Forecast Statement of Changes in Equity .....	<b>30</b>
Statement of Financial Position.....	<b>31</b>
Statement of Cash Flow.....	<b>32</b>
<b>Glossary of Abbreviations and Terms</b> .....	<b>44</b>

# Foreword from our Chair

## Kupu Takamua Nā te Heamana

In 2021/22, we will continue our work to implement the New Zealand Health Research Strategy, invest in excellent research to improve wellbeing and achieve health equity, and develop a skilled, diverse workforce that is reflective of future health needs.

The year ahead will be another busy one for the HRC, as we extend our work to implement the New Zealand Health Research Strategy 2017-2027 (NZHRS), in collaboration with the Ministry of Health and the Ministry of Business, Innovation and Employment. We have already led the development of the New Zealand Health Research Prioritisation Framework, released in 2019, which provides a guide for all government investment in health research.

We have begun our work to align with the Prioritisation Framework, by reviewing and redesigning our funding opportunities. Last year we made improvements to how we invest in health delivery research, which enabled us to double our investment from previous years. We will continue to build on the enthusiasm for the scheme that we have seen from the health providers that we engage with, and grow this vital research capacity.

This year, the focus of our redesign will shift to our Partnership Programme, with a view to develop a more efficient model to fund mission-led research of the highest priority for New Zealand. The new funding model will be designed to embed the attributes of the Prioritisation Framework, and will enable us to progress the system-level improvements set out in the NZHRS while helping the government achieve its goals for health and equity.

We will continue to support the Ministry of Health and the Ministry of Business, Innovation and Employment, to progress the Strategic Priorities of the NZHRS that they are leading. The areas of progress are becoming increasingly interconnected, as we work to strengthen system-wide approaches to health research infrastructure and capability. This includes providing the Ministry of Health with advice on how research and innovation could be embedded as part of health sector reforms.

We will renew our focus on achieving equity in health outcomes and on supporting the Crown to meet Te Tiriti o Waitangi commitments; key considerations and drivers for all changes that we are making. In 2022, we will double

the weighting of our new Māori Health Advancement score criterion for major grant applications, introduce a new Māori Clinical Research Training Fellowship, and increase the value of our most prestigious Pacific career award – the Sir Thomas Davis Te Patu Kite Rangī Ariki Research Fellowship.

2020 was a particularly challenging year for our health research community, and we are proud of the way in which they have persevered with their work and responded to meet some of the research needs that arose from the COVID-19 pandemic. We are indebted to those members of the research community who contributed their valuable expertise to our processes over this time, and are grateful for the way in which they have successfully embraced our new ways of working together. Through the ongoing contributions of our excellent, diverse research workforce we will continue to meet the challenges that lie ahead and deliver the health research that New Zealand needs.



Signed by: Lester Levy  
Date & Time: 12 Dec, 2021 17:56:52 NZDT

**Professor Lester Levy**  
CNZM, Chair



Signed by: Will Barker  
Date & Time: 06 Dec, 2021 14:53:35 NZDT

**Dr Will Barker**  
Council Member



# Introduction

## He Kupu Whakataka

This Statement of Performance Expectations sets out the four outputs that the HRC will deliver in the 2021/22 financial year, with funding from Vote Business, Science and Innovation (\$126 million) and Vote Health (\$0.29 million)

### About Us

The HRC is the principal government funder of health research. Our major activity is investing in health research;

- proposed by health researchers in response to our published priorities (investigator-initiated research)
- through requests for proposals to address evidence needs or urgent topics (our Partnership Programme), and
- through training and development support for the research workforce in areas where greater capacity and diversity is needed (our Career Development programme).

Our investment makes a difference to the health, health equity, wellbeing and productivity of New Zealanders. It generates new knowledge, solutions and innovations, and improves the quality and cost-effectiveness of the healthcare system. By keeping New Zealanders healthy and productive, we support economic growth. We also support innovative research that results in new products and processes with commercial value and cost savings for the health sector.

We balance our investment so that we can deliver knowledge and solutions with immediate impact, yet also seed the ideas and support the exploration that will generate the health gains and innovations of the future.

We partner on research and bring stakeholders together across sectors to commission research. Our work across government recognises that health is influenced by social and economic issues, justice, our environment, transport, housing, and much more. Sharing the cost, resources, and expertise that each partner brings to the table raises both the scale and value of the resulting outcome.

For a full description of the functions, values and operations of the HRC, please refer to our Statement of Intent 2020-2024, available on our website. Our website

### Key facts about HRC

**Crown Agent** (established HRC Act 1990)

**Accountable to:**

- The Minister of Health (responsible Minister under the HRC Act)
- The Minister of Research, Science and Innovation (funding and monitoring)

**Aspiration:** Every New Zealander enjoys equitable improvements in health and wellbeing because of evidence and innovations from our world-leading health research system.

**Principal statutory functions:**

- advise the Minister of Health on national health research policy
- advise on health research priorities for New Zealand
- initiate and support health research
- foster the recruitment, training and retention of health researchers in New Zealand

**Our key strategic drivers from our Statement of Intent:**

- Fostering excellence and innovation
- Increasing engagement and connection
- Strengthening skills and systems

provides information on all aspects of the HRC business and operations, plus a wide range of resources on health research policy and funding in New Zealand:

[www.hrc.govt.nz](http://www.hrc.govt.nz)

## About this document

The HRC's Statement of Intent 2020–2024 (Sol) provides the basis for our Statement of Performance Expectations (SPE). In our SPE, we set out our operating intentions for the coming year, our key performance indicators and targets, and our financial statements.

The HRC's Sol and performance framework are based on three 'strategic drivers' that guide funding decisions and help us to meet our aspiration – *that every New Zealander enjoys equitable improvements in health and wellbeing because of evidence and innovations from our world-leading health research system.*

The schematic on the right shows our Strategic Drivers and how they relate to the funding Outputs that we report against in this SPE.

See 'How the HRC reports on strategy and performance – the documents' (page 43) for an overview of our accountability reporting.

## Our Strategic Directions for 2020-2024

In 2020, the HRC produced a new Sol to signal our direction for change to improve the health research funding system in New Zealand. We will continue to lead and work collaboratively with the sector through the changes we make to achieve HRC's and the government's strategic goals.

In the coming year, we will continue to focus on implementation of the New Zealand Health Research Strategy 2017-2027(NZHRS) in conjunction with the Ministry of Health and the Ministry of Business, Innovation and Employment. The strategy is intended to drive New Zealand's health research investment decisions from now until 2027.

The HRC is responsible for **leading Strategic Priority One**: Invest in excellent health research that addresses the health needs of all New Zealanders. This makes us responsible for four actions. Action 1 is to *prioritise investments through an inclusive priority-setting process.* Actions 2-4 are to *invest in research for hauora Māori, invest in research to improve health outcomes for Pacific peoples, and to develop and sustain a strong health research workforce.*<sup>1</sup>

Action 1 was completed in 2019, after wide consultation with New Zealanders and resulted in publication of the New Zealand Health Research Prioritisation Framework.<sup>2</sup>

Under the new framework, researchers applying for government funding will need to:

- Address why their research is important to New Zealand
- Consider mana tāngata and advancing Māori health
- Meet the criteria of excellence
- Ensure their research has the best chance of delivering impact
- Address health equity.

## How we will align with the New Zealand Health Research Prioritisation Framework

HRC is now focused on implementing the Prioritisation Framework so that it influences our investment opportunities and funding decisions - which is required of all government funders of health research. We are taking a phased approach across our funding mechanisms and processes. We have begun the process of strengthening our alignment to the Prioritisation Framework by introducing in 2020 a suite of redesigned funding opportunities for Health Delivery research (see page 13) so that our investment delivers better to the aims of Domain 2: *People-Centred Healthcare.*

In 2021/22, we will continue to implement a priority-based work programme to re-imagine our funding opportunities, systems and processes to align with the Prioritisation Framework. We have reviewed all of our funding mechanisms and processes to determine how they align with the Prioritisation Framework to ensure any changes we make will be well-considered, sustainable and enduring.

Our focus this year will be on the Partnership Programme, which we will redesign to achieve our vision of a sustainable, dynamic and strategically-driven investment mechanism that enables us to progress HRC's and the government's strategic goals. We will pause new initiatives through the Partnership Programme to allow time for a thorough review and redesign.

Implementation of NZHRS Actions 2, 3 and 4 will follow implementation of Action 1 and are next on the HRC's work programme.

<sup>1</sup> <https://www.health.govt.nz/system/files/documents/publications/nz-health-research-strategy-jun17.pdf>

<sup>2</sup> <https://www.hrc.govt.nz/resources/new-zealand-health-research-prioritisation-framework>

## How our funding inputs and outputs link to the HRC's Strategic Drivers



## Further involvement in NZHRS Implementation

We will continue to support the Ministry of Health and Ministry of Business, Innovation and Employment in their lead roles to implement NZHRS Strategic Priorities 2-4. The cross-agency workplan for 2021/22 has a strong focus on improving the clinical research environment; enabling health sector participation in research and innovation; and achieving better health, equity and economic outcomes from public investment in research and innovation. As the NZHRS work programme gains momentum, the initiatives are becoming increasingly interconnected, requiring more sector input and coordination between lead agencies to deliver.

HRC's continued emphasis on growing health delivery research and engagement with healthcare providers will further support implementation of the NZHRS actions that the Ministry of Health is leading. By strengthening health-sector participation in research, we increase the likelihood for translation and uptake of research evidence where it is needed most. As a key NZHRS initiative, HRC and Ministry of Health have co-funded research to provide evidence-based recommendations for clinical trials systems and data infrastructure in New Zealand, and HRC continues to manage that research.

## What we will deliver in 2021/22: an overview

In 2021/22, we will work within our budget of \$126 million to address the priorities of our Ministers, in addition to strengthening and improving our existing investment opportunities and processes.

We have produced an Investment Plan to provide funding signals over a three-year period to 2023. New opportunities will be announced on the HRC website and through the Update e-newsletter.

In 2021/22, we will invest our funds through the following outputs, funded primarily through Vote Business, Science and Innovation:

- Output 1: Fostering excellence and innovation
- Output 2: Connecting for greater impact
- Output 3: Strengthening skills and growing a diverse workforce
- Output 4: Keeping the health research system ethical and safe.

These Outputs are described in detail on pages 12-27.

Through these Outputs, we will:

- continue to advance Māori health, improve health equity and grow capacity and capability for Māori and Pacific Health research through all our investment opportunities.
  - continue to support a broad portfolio of research across all disciplines with the aim of generating new knowledge, improving health equity and wellbeing, driving innovation, and providing the evidence needed to improve health services for New Zealand's diverse population.
  - support biomedical science to advance knowledge and fuel discoveries that boost clinical advances and the economy.
  - support public health research to protect, promote and improve the health of the public, and reduce inequities in health.
  - maintain our investment in high-risk, discovery science through our Explorer Grants, with the knowledge that some will fail but the successes will bring extraordinary benefits.
  - address priorities for the Council and the Government (see next section).
  - contribute to the five strategic themes outlined in the *New Zealand Health Strategy*, and to the government's vision of a dynamic science system set out in the draft *Research Science and Innovation Strategy: Kei Mua Te Ao*.
- develop and test **preventative strategies and interventions** that will help all of our population to stay well
  - improve **mental health and wellbeing outcomes** and address addiction, and
  - improve **child wellbeing and healthy development**, including research to complement 'A Better Start' National Science Challenge.

Our recent Partnership Programme initiatives have included a strong focus on equity, seeking research to help achieve:

- equitable cancer outcomes
- equitable maternal and infant health outcomes
- equity for ageing Māori through improved injury prevention and better, more accessible services
- equitable access to medicines for Māori
- equity in access to clinical trials.

More information on these Partnership Programme initiatives can be found on page 18.

Our Ministers expect that the HRC will lead the health research sector in consistent and sustained efforts to **improve health equity and achieve equitable access to health services**. Our Statement of Intent sets out health equity as a goal that runs across all of our investments, strategic partnerships and connections.

## How the HRC will address our Ministers' expectations

The Letter of Expectations from our Ministers outlines several high-level areas for the HRC to progress in the coming year, with strong focus on wellbeing and equity system priorities. These areas closely align with priorities and directions that the Council sets for the organisation.

Our broad portfolio of investments will deliver evidence needed to **improve health equity and wellbeing for all New Zealanders**. Through our dedicated 'Health and Wellbeing' research investment stream, and our cross-sectoral relationships with funding partners we will continue to invest in a range of projects to:

- advance **Māori health**
- address the growing and unacceptable health **inequity** in New Zealand

Our work here will be guided by the Prioritisation Framework, which names Equity as an overarching Health Research Attribute. We will align with the Framework, with a view to consolidate, strengthen and make more explicit our inclusion of equity as we redesign funding opportunities.

Our Equity, Māori and Pacific Health Research Team will lead work to implement an Equity Action plan. An initial action is to work with the Equity Commission, our Māori Health Committee and our Pacific Health Research Committee to develop a position statement on health equity.

We have been asked to support the Crown in realising its obligations under Te Tiriti o Waitangi and give practical effect to Whakamaua: The Māori Health Action Plan 2020-25. We will continue to create opportunities to implement Te Tiriti at the HRC.



This year we will work to ensure that health research advances healthy futures for Māori, to focus on Māori partnership and co-innovation, and to work with Māori communities, including:

- introducing a new Māori Clinical Research Training Fellowship (page 22)
- partnering with the Ministry of Health and the Māori Health Directorate to co-fund a new initiative for research to evaluate Whakamaui (page 18)
- consulting with Māori stakeholders to review and enhance our funding opportunities supported by the Vision Mātauranga Capability Fund (page 23)
- exploring opportunities to work with the Māori Health Authority
- applying Māori Health Advancement assessment criterion to score applications for all major grant types and increasing its weighting from 10% to 20% of the final score (page 16).

Our work to invite Māori health service providers to partner with us through our Health Sector Research Collaboration funding opportunity will commence in 2022/23 (refer page 13).

HRC initiatives to build research capacity and capability to improve Pacific health outcomes are gaining momentum. 2020 represented a record year for investment in Pacific health research, through both Projects, Emerging Researcher First Grants, COVID-19 Equity Response research, and career development awards. In 2021/22, the value of our most prestigious Pacific career award, the Sir Thomas Davis Te Patu Kite Rangi Ariki Research Fellowship, will increase to \$600,000 over four years. Our plans to engage with Pacific health service providers to help design our *Health Sector Research Collaboration* funding opportunity will commence in 2022/23 (refer page 13).

### **Increasing research intensity in health service delivery**

is a key focus for the Government. We will continue to engage with healthcare providers as the sector transforms over the next few years, and with those working in front-line care, to develop the knowledge and systems needed for a strong and equitable public health and disability system.

We have redesigned our investment in Health Delivery research and will continue to roll out our suite of people-focused and research-focused opportunities, including partnering directly with DHBs to foster research capacity and upskill the health and disability workforce.

In 2020, our new approach successfully enabled us to grow our investment in health delivery research to meet our indicative target of 20% of the annual funding round budget, as we invested \$21m across a range of research providers including 6 different DHBs. This investment will **bolster clinical research intensity at DHBs**, by adding to the clinical trials and studies that are funded through other research investment streams and career development awards.

We are currently partnering with the Ministry of Health to co-fund health services research to evaluate **general practice models of care provided by Primary Health Organisations (PHOs) in New Zealand**, with a view to support better population health outcomes. In the area of maternity services, we are providing support for the **translation and application of existing evidence**, through a separate initiative co-funded with the Ministry of Health.

We are connecting with the **Health Transition Unit** to explore how research and innovation functions could enhance the future health and disability system operating model, and how HRC could work with Health NZ and the Māori Health Authority.

We have also been working with our responsible Ministries to better understand opportunities and barriers for **data-intensive health research** in New Zealand. We will continue to identify, invest in and monitor research that uses large or linked health datasets, including the national Integrated Data Infrastructure (IDI). Our partnership with Precision-Driven Healthcare to fund Postdoctoral Fellowships in the area of data science recognises the need to build capacity for this research.

We have been asked to help build, strengthen and shape a **research workforce** that is reflective of future needs. We will continue to invest in a programme of career development awards, with targeted opportunities for the next generation of research leaders, including, Māori, Pacific, health delivery and clinical researchers. We will also grow the pipeline of research talent through our Emerging Researcher First Grants.

We will monitor and enhance the **diversity** of the research teams that we fund, our committees and the HRC Council and staff. In doing this, we will be aligning with the government's Diversity in Science Statement. The HRC will maintain our support for **information platforms and systems**, including the Australia New Zealand Clinical Trials Registry. We will also update the data that we contribute to the New Zealand Research Information System (NZRIS), as part of the sector wide effort to meet the infrastructure aims of the Prioritisation Framework.

# Statement of Performance Expectations

## He tauāki mō te Whakatutukitanga o ngā Wawata

We describe in detail the four outputs that the HRC will deliver in 2021/22, our performance measures and targets.

The links between the HRC's outputs and our funding streams are shown in the table below.

HRC Output	Funding Sources	Vote Output Expenses
1. Fostering excellence and innovation	<ul style="list-style-type: none"> <li>• Vote Business, Science &amp; Innovation</li> <li>• Bequests &amp; donations</li> <li>• Interest</li> </ul>	<ul style="list-style-type: none"> <li>• Science &amp; Innovation: <i>Health Research Fund</i></li> </ul>
2. Connecting for greater impact	<ul style="list-style-type: none"> <li>• Vote Business, Science &amp; Innovation</li> <li>• Third-party management fees</li> <li>• Interest</li> </ul>	<ul style="list-style-type: none"> <li>• Science &amp; Innovation: <i>Health Research Fund</i></li> <li>• Science &amp; Innovation: <i>Catalyst Fund</i></li> </ul>
3. Strengthening skills and growing a diverse workforce	<ul style="list-style-type: none"> <li>• Vote Business, Science &amp; Innovation</li> <li>• Interest</li> </ul>	<ul style="list-style-type: none"> <li>• Science &amp; Innovation: <i>Health Research Fund</i></li> <li>• Science &amp; Innovation: <i>Vision Mātauranga Capability Fund</i></li> </ul>
4. Keeping the health research system ethical and safe	<ul style="list-style-type: none"> <li>• Vote Health</li> </ul>	<ul style="list-style-type: none"> <li>• Health</li> </ul>

# Output 1: Fostering excellence & innovation

## Whakaputanga 1: He poipoi i te kounga me te auahatanga

We invest in the best ideas and innovations proposed by New Zealand's brightest researchers, designed to improve equitable outcomes and make a tangible difference to the health and wellbeing of New Zealanders.

Cost 2021/22	\$000's
Prospective revenue: refer to Financial Statements:	111,439
Prospective cost: refer to Financial Statements:	109,468
Surplus added to reserves:	1,972

### Scope of the Output

This output covers research contracted through the Annual Contestable Funding Round, and our redesigned investment in New Zealand Health Delivery. These contracts are supported from the Science and Innovation: Health Research Fund.

### Our Annual Contestable Funding Round

This is our primary vehicle for addressing the objectives and priorities that we signal and communicate through our four Research Investment Streams (RIS). Our four **RIS reflect our drive to deliver greater research impact and value for money** by ensuring that our funds are directed to the areas of greatest research need, opportunity and quality.

The HRC will support 8 different contract types through the Annual Contestable Funding Round (see infographic on page 15). We will allocate approximately 70 per cent of our funding to health research projects and programmes.

All contracts will be monitored to ensure that they deliver on contracted objectives including reporting requirements.

### What's new for Health Delivery in 2021?

**In 2021/22, we will continue implementation of our redesigned investment in Health Delivery research.**

The redesign was undertaken to enable a broader range of clinical and non-clinical health professionals to engage in health delivery research. The new funding opportunities are based on a pipeline approach to supporting and developing both research and researchers. (See diagram page 14.) Through this approach we will provide support across the whole continuum of health delivery research, from activation to translation, and from entry-level researchers through to research leaders and champions.

Funding in 2021/22 will be offered for the following opportunities:

- Health Delivery Research Activation Grants
- Health Delivery Research Project Grants
- Health Delivery Career Development Awards
- Health Sector Research Collaboration Grants.

**Health Sector Research Collaboration Grants** will continue to provide protected funding opportunities for the health sector in 2021/22. The grant represents a new approach for the HRC, using negotiated funding contracts with health sector organisations. The grant is focused on upskilling and empowering health sector organisations

to engage in health research. It has been designed to intensify research in health delivery settings, and ensure research adequately responds to health sector, patient and community needs.

Last year we piloted our Collaboration grants with a selection of District Health Boards that represented a range of geographic and demographic settings. This year we are continuing to support District Health Boards and plan to expand to other health providers in 2022/23, with particular focus on Māori and Pacific providers.

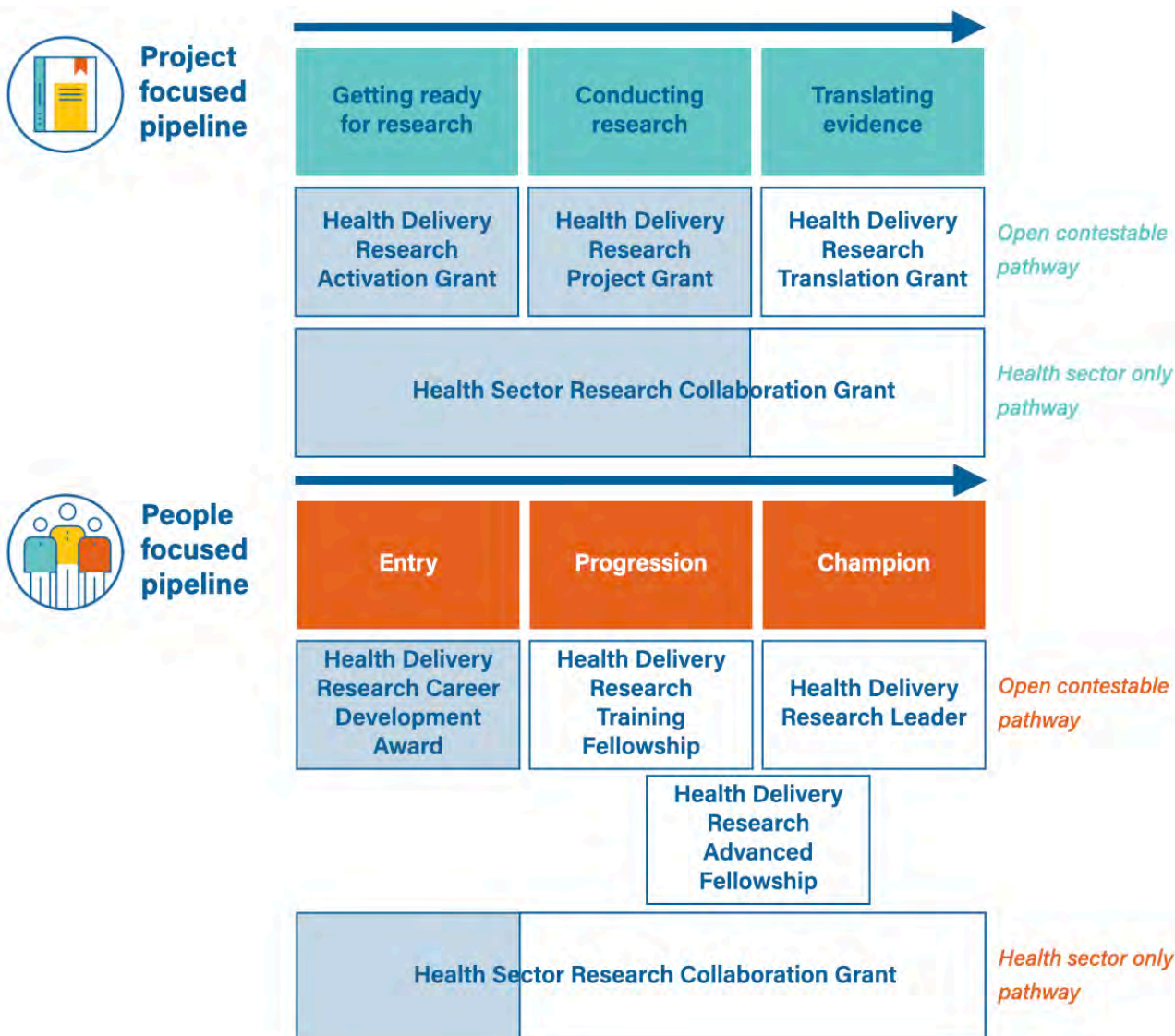
As well as supporting career progression of researchers established within the discipline, we aim to attract more people with relevant skills by offering the **Health Delivery Career Development Award**. This is a funded placement within a health delivery research team or health sector setting, positioned as an alternative pathway into health delivery research. The suite of health delivery career

awards offered through the people-focused pipeline are complementary to the clinical career development awards offered through Output 2.

The next few years will be a time of significant system reform in the health sector. We will work with the Ministry of Health and the Health Transition Unit, continue to build relationships with the sector and adapt our processes to ensure continuity of support for building health research capacity and capability within the health system.

We acknowledge that those in the health sector are among those most impacted by the COVID-19 pandemic and that the success of this initiative depends on their availability to participate. We will provide flexibility in our processes where needed.

The pipeline approach the HRC has taken to funding opportunities under the Health Delivery Investment Round.





## Summary of opportunities offered through Output 1 in 2021/22



## Support for Independent Research Organisations

This year, we will continue our support for the four **Independent Research Organisations** (IRO) already contracted by the HRC; Whakauae Research for Māori Health and Development, Te Atawhai o te Ao: Independent Māori Institute for Environment & Health, the Malaghan Institute of Medical Research, and Medical Research Institute of New Zealand.

In 2020/21 we undertook a review of the IRO Capability Fund and will be implementing the outcome of that review,

and the redesigned Fund, in 2021/22. The intent of the redesigned Fund is to provide long term stability for areas of excellent and impactful mission-led science and unique IRO capability that contributes to achieving health equity. The redesigned Fund ensures greater complementarity to MBIE's Strategic Science Investment Fund (SSIF), which supports research programmes and scientific infrastructure that have long-term beneficial impact on health and New Zealand's economy, environment and society.

---

## Enhancing our processes

In 2019-2020, we phased in the introduction of our **Māori health advancement criterion** to apply to all Programme, Project, and Emerging Researcher First Grant applications. This criterion requires applicants to consider ways in which their research proposal will advance Māori health and identify their planned actions to realise this contribution. We will maintain use of the criterion for the annual funding round in 2021/22 and increase the weighting from 10% to 20% of the final score (please refer to the HRC's website for guidelines and more information about the criterion).

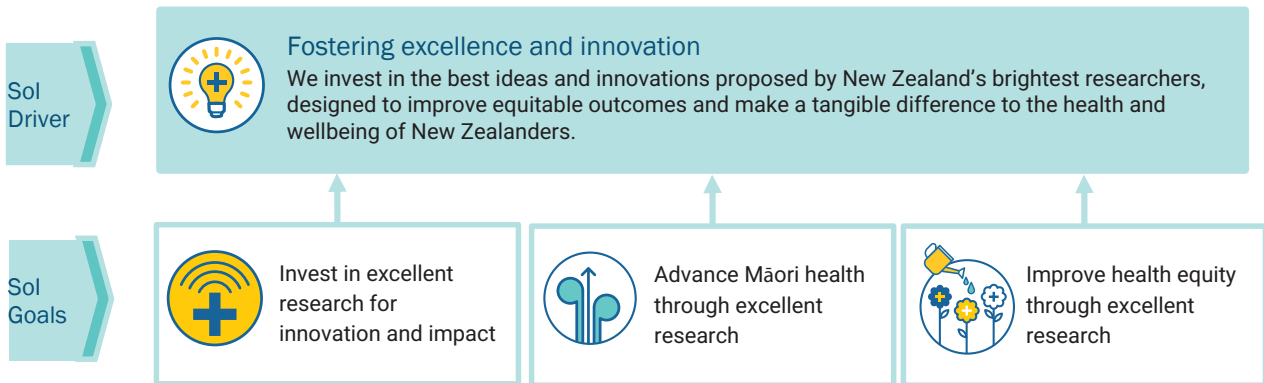
We have made changes to existing HRC assessment processes for the new Health Delivery opportunities, to simplify them and make them more accessible, including shifting away from our current two-stage approach. Further modifications have been introduced to the application and assessment processes this year, based on our evaluation of the 2020 round. A **Health Delivery**

**Research Portfolio Panel** will oversee the assessment process to make funding recommendations to Council.

As an early-stage investor in **health innovation**, the HRC has led a collaborative pilot to identify HRC-funded research with commercial potential and refer it to appropriate commercialisation agencies for next stage support (i.e., Tech Transfer Offices and the Commercialisation Partner Network). By playing a referral role, the HRC has raised the visibility of HRC-funded health innovations and strengthened the earlier stages of the health research commercialisation pathway. We have helped researchers and innovations with commercial potential gain greater access to the specialist expertise, networks, funding and capacity of New Zealand's commercialisation system. In 2021/22 the HRC will collate and review pilot progress and achievements to inform future recommendations.

## Our performance indicators for Output 1 and how they fit our Statement of Intent

### The drivers and focus areas of the HRC’s Statement of Intent that Output 1 delivers to



### Output 1. Fostering excellence and innovation

The HRC’s investment through the Annual Funding Round (including Explorer Grants) is the major vehicle through which we invest in research. We have chosen KPIs that focus on transformative research, research that contributes to Māori advancement and health equity, and our management of contracts.

Key performance indicators (KPIs) for Output 1	Baseline	2020/21 Actual	2021/22 Target
<b>Number of contracts funded in the previous financial year that meet the HRC’s definition of ‘transformative’ research</b>	10 in 2018/19	15	10-20
Why this KPI? We are tracking our progress against the first goal for this Output in terms of investing for excellence and innovation. We believe that if we support more transformative, and often higher risk research, we increase the chances of a major positive impact and possible economic returns for New Zealand. As such research is higher risk, we seek to maintain investment within the range defined.			
<b>Implement a contract monitoring regime scalable to risk</b>	Risk profiles for all current contracts developed	New measure	Implement a monitoring regime for new Programmes, based on updated risk profiles
Why this KPI? Good contract management practices are key to ensuring that the excellent research that the HRC supports will be completed on time and have the desired impact. Identifying risks and issues early, and instituting the appropriate level of monitoring, is an important part of this. We will focus on implementing a monitoring regime initially for new Programmes, our major contract type with the highest value and longest term (up to \$5 million over 5 years).			
<b>Percentage of HRC Programmes and Projects funded in the previous financial year with a focus on understanding and reducing inequity in health outcomes</b>	New measure	34%	At least 25%
Why this KPI? This measure allows us to track the extent to which our investments contribute to evidence that service-providers and policy-makers can draw on to improve equity of health outcomes and advance Māori health – both crucial goals of HRC investment. We will focus on measuring this for our major contract types that make up approximately 70% of our total investment. We have set an achievable range for our target but aim to exceed the upper limit of that range.			

## Output 2: Connecting for greater impact

### Whakaputanga 1: He whakahonohono e nui ake ai te hua

We align and connect funders, providers and users of health research in New Zealand, form strategic research partnerships to address priority health issues, and build strong links to international research efforts.

Cost 2021/22	\$000's
Prospective revenue: refer to Financial Statements:	3,668
Prospective cost: refer to Financial Statements:	7,774
Deficit funded from reserves:	(4,106)

#### Scope of the Output

Investments through this output will support targeted, 'mission-led' investments. This includes partnering with our stakeholders and commissioning research across sectors in areas of critical evidence need and priority – our Partnership Programme.

Through this output we also fund international partnerships which provides New Zealand researchers collaborative opportunities in areas of national and international priority.

#### The Partnership Programme

The Partnership Programme aims to deliver research that more effectively meets the knowledge and evidence needs of next-users or end-users, such as policy-makers, planners, communities and those involved in healthcare delivery.

As part of our work to implement the New Zealand Health Research Strategy (NZHRS) and the New Zealand Health Research Prioritisation Framework, **in 2021, we will pause the start of any new Partnership Programme initiatives, with a view to implementing a new funding vehicle for mission-led research in 2022.** This is also necessary because our partnerships portfolio has become too resource-intensive and we need to streamline to allow for growth and more strategic targeting of this mechanism.

Our vision for the new-look Partnership Programme is that it will be a sustainable, dynamic and a strategically-driven investment mechanism that enables us to meet priority research needs and offer investments that deliver on our NZHRS, equity and Te Tiriti o Waitangi goals.

In the interim, we will continue to fund and support our existing research partnerships and partner organisations, including the **Ministry of Health**:

- In 2021/22, the HRC, Ministry of Health and Māori Health Directorate will partner to fund research that is centred on **Whakamaua: Māori Health Action Plan 2020-2025** and achieving pae ora (healthy futures) for Māori. This research will determine the extent to which Whakamaua is achieving its overall goal of contributing to pae ora for Māori, to inform any potential improvements, and provide vital kaupapa Māori insights for the health and disability sector.
- HRC and Ministry of Health have recently partnered with Te Aho o Te Kahu - the Cancer Control Agency, to fund research that will drive **equitable cancer outcomes** for New Zealanders. We have released an RFP with several equity-centred cancer research priorities, including funding streams with a focus on lung cancer screening and improving clinical care.



Other recent investment through the HRC-Ministry of Health partnership has focused on:

- research and knowledge translation projects to improve Aotearoa New Zealand's maternity services. Research findings will directly inform the development of policy and practice to help achieve equitable maternal and infant health outcomes and support a quality improvement culture within **maternity services**.
- enhancing the environment for **clinical trials in New Zealand**. This research will provide evidence-based recommendations on how New Zealanders and the New Zealand health system can better receive the benefits of clinical trials.
- urgent research in relation to **COVID-19**, to inform the all-of-government response to the pandemic.
- evaluating general practice **models of care** provided by Primary Health Organisations in New Zealand.

In 2021 HRC will continue to support our existing partnership initiatives with:

- **PHARMAC**, to secure best health outcomes from pharmaceuticals, with a focus on pharmacists' role in achieving equitable access to medicines for Māori.
- **Accident Compensation Corporation (ACC)** and the **Ageing Well National Science Challenge**, to help achieve equity for ageing Māori through improved injury prevention initiatives, addressing barriers to accessing ACC services, and effective injury rehabilitation.
- **Medsafe and ACC**, to fund research on safe paracetamol use in children.
- **Precision Driven Health (PDH)**, to support and develop data scientists.
- **WorkSafe New Zealand**, to identify effective interventions for reducing work-related psychosocial risk for health problems such as stress, anxiety and depression.
- **Ministry of Social Development (MSD)**, to improve employment outcomes for people who develop health conditions or disabilities while in work and prevent loss of connection to the labour market.

*See our Annual Report and our website for more information about ongoing research contracts we are supporting.*





---

## International Partnerships

The HRC invests in co-funding relationships through MBIE's **Science and Innovation Catalyst Fund**, which focuses on the development of international collaborations. Since December 2012, the HRC has had agreements in place to undertake collaborative research with **China**, with a broad focus in 2021 on biomedical research. We support New Zealand-based researchers with demonstrated linkages and working collaborations with China-based researchers.

The HRC, with the support of MBIE, has been a member of the **Global Alliance for Chronic Diseases (GACD)** since 2017. The GACD is an alliance of the world's largest public research funding agencies and provides new research opportunities that **target chronic diseases**. GACD funds joint programmes researching lifestyle-related or chronic disease such as heart disease, diabetes, certain cancers, and lung diseases. The GACD formulates an annual funding call in a particular health area. In 2020, we provided funding for implementation research for the primary and/or secondary prevention of cancer within Māori and/or Pacific populations.

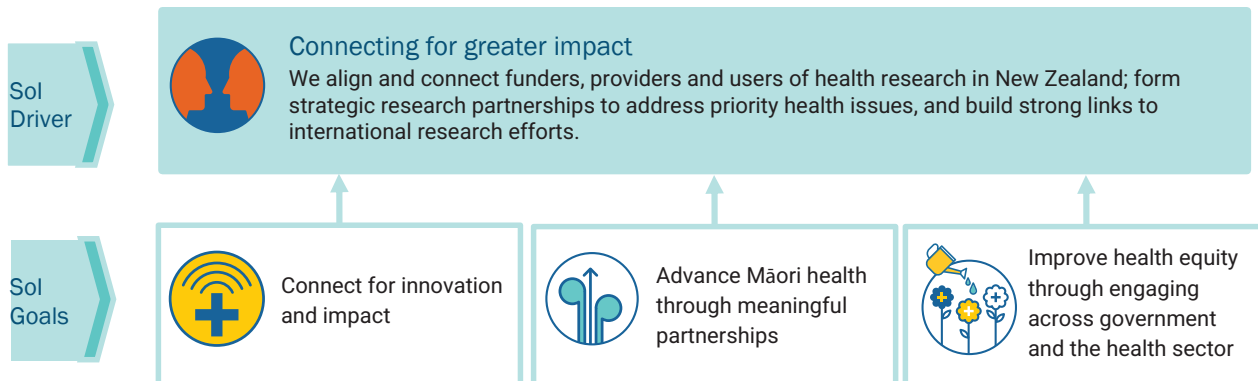
The HRC also directly supports international research opportunities through the Health Research Fund appropriation. We have a Memorandum of Understanding with the **National Natural Science Foundation of China (NSFC)**. The arrangement paves the way for establishing new scientific partnerships and strengthening existing collaborations, to foster breakthroughs in biomedical research and to promote career development for researchers from both countries. Co-operation focuses on five key areas: cancer, metabolic disease, brain health, infectious disease (antimicrobial resistance), and respiratory disease. In 2020, an RFP was released in the area of COVID-19 to fund three research projects.

The HRC is a member organisation of **E-Asia**, supporting international joint research projects in the East Asia Region and promoting interactions between researchers. In 2021/22, HRC funding is available to support research in the field of infectious diseases or cancer.

The HRC, National Health and Medical Research Council (NHMRC) and Canadian Institutes of Health Research (CIHR) have a commitment under the tripartite agreement to share expertise and support indigenous researchers to reduce the health disparities between indigenous peoples and general populations. The **Tripartite Agreement on International Indigenous Health Research** was originally agreed in 2002 and is renewed every five years. In December 2019, the HRC hosted an indigenous health workshop attended by delegates from New Zealand, Canada and Australia. Partners met again in 2021 to develop a joint work programme for the next term of the agreement.

## Our performance indicators for Output 2 and how they fit our Statement of Intent

### The drivers and focus areas of the HRC’s Statement of Intent that Output 2 delivers to



### Output 2. Connecting for greater impact

The HRC’s co-funding investments through the Partnership Programme and our international initiatives are key to increasing engagement & connection, both within the national health research community & overseas. This year, we are pausing new initiatives through our Partnership Programme while we redesign it; however, we will continue to invest in international investments that allow us to create joint vehicles with overseas funders that are mutually beneficial to our respective research communities. Our KPIs reflect this.

Key performance indicators for Output 2	Baseline	2020/21 Actual	2021/22 Target
<b>Implement a redesigned Partnership Programme</b>	Not relevant	New measure	Develop and implement a redesigned Partnership Programme funding opportunity
Why this KPI? The redesign of our Partnership Programme is a vital component of our overall goal to redesign our funding mechanisms and processes to better align with the Prioritisation Framework and achieve HRC’s and the government’s strategic goals. By pausing new initiatives, we can redesign a sustainable “mission-led” funding mechanism that maximises our resources and can better meet priority research needs of stakeholders.			
<b>Number of New Zealand based researchers named on current contracts resulting from HRC commitments to international organisations and agreements</b>	33 in 2018/19	50	>20
Why this KPI? This is an important measure of how we are connecting for innovation and impact internationally, and the number of opportunities we create for New Zealand researchers through our international partnership activities. We have modified our target because investment in the Catalyst Fund has not increased, and no longer supports the E-Asia initiative. Our aim is to maintain the number of opportunities.			

## Output 3: Strengthening skills and growing a diverse workforce

### Whakaputanga 1: He whakakaha i ngā pūkenga me te whanake i tētahi ahumahi kanorau

Investment in building people, skills and careers – recruiting and retaining future leaders to address health challenges and create innovations for New Zealand.

Cost 2021/22	\$000's
Prospective revenue: refer to Financial Statements:	11,343
Prospective cost: refer to Financial Statements:	14,578
Deficit funded from reserves:	(3,235)

### Scope of the Output

This output covers our Career Development Awards, supported from the Science and Innovation: Health Research Fund; and our Ngā Kanohi Kitea research contracts, supported from the Science and Innovation: Vision Mātauranga Capability Crown Fund.

Our Career Development Awards support our most promising emerging researchers and leaders, engage frontline clinicians in research, and address critical gaps in the workforce.

Our goal is to ensure that New Zealand has the diversity of people and skills needed to address current and future health challenges.

Around 60 awards will be offered, building capacity in Māori, Pacific, clinical and health delivery research, and fostering emerging leaders. They will support a mixture of Masters, PhD and post-doctoral researchers. We also offer prestigious fellowships to ensure that the next generation of leaders is ready to step up when our current leaders move on.

The graphic on page 24 illustrates our career development programme, and the level and breadth of opportunities offered.

### Advancing Māori health through building the research workforce

We have had success in **building Māori health research capacity** and this will continue to be a focus over the next year. Our Māori awards will cover the full spectrum of opportunities, from community workers through to emerging research leaders. By not restricting career development to those attaining a university qualification, we will support Māori who are active in their communities and gain from their expertise. Our Rangahau Hauora Training Grant will support Māori with strong community ties, but with no prior research training, to gain training on a large research project.

In 2021/22, we will establish a new Māori Health Clinical Research Training Fellowship, to provide a pathway for Māori health professionals who seek additional training for a career in clinical research. While those who identify as Māori have previously been awarded Clinical Research Training Fellowships through the general round, this new initiative will ensure that applications are assessed by appropriate Māori health expertise and considered alongside other Māori health career development awards.

In addition to general Māori postdoctoral fellowships, we will provide four named **Māori postdoctoral fellowships** to support outstanding Māori graduates who have recently completed a doctoral degree:



- The Irihapeti Ramsden Research Fellowship in Māori Health honours the work of Dr Irihapeti Ramsden and her contribution to the field of nursing and cultural safety.
- The Erihapeti Rehu-Murchie Research Fellowship in Māori Health supports research focusing on topics in which Dr Rehu-Murchie was active: Māori women's and children's health; whare tapa wha (a four-point holistic health model involving tinana, hauora hinengaro, hauora whanau and hauora wairua); health promotion or health policy, including Māori and indigenous human rights.
- The Eru Pōmare Research Fellowship in Māori Health honours the legacy of Professor Eru Pōmare and his contributions to gastroenterology.
- The Hohua Tutengaehe Research Fellowship in Māori Health honours the legacy of kaumatua Hohua Tutengaehe and his contributions to te iwi Māori and the development of Māori health research that is consistent with tikanga Māori.

## Developing the Pacific health research workforce

Pacific health research capacity and capability is low in New Zealand, and building the body of Pacific research knowledge, solutions and methodologies is an important facet of our efforts to improve equity of health outcomes. In the coming year, we will provide development opportunities for Pacific peoples at all stages of a research career, from Masters-level through to emerging leaders.

Our Sir Thomas Davis Te Patu Kite Rangī Ariki Health Research Fellowships to support **Pacific researchers** with outstanding potential. The award is designed to contribute towards better health outcomes for Pacific peoples, families, and communities. The value of these Fellowships has been reviewed and will increase to \$600,000 over four years. We expect to award two of these Fellowships in the coming year. The range of opportunities offered are shown in the graphic on the following page.

We are continuously looking at ways that we can grow Pacific health research capacity beyond what we have achieved to date. In 2021, we awarded two Pacific Clinical Research Training Fellowships and we are encouraged by the increasing demand for Pacific career development support.

## Supporting future research leaders

We expect to offer between four and six of our **Sir Charles Hercus Health Research Fellowships** in the coming

year. The purpose of these fellowships is to build future capability to conduct world-leading research in New Zealand. These advanced post-doctoral awards support an outstanding emerging researcher (four–eight years post PhD) who wishes to establish a career in health research in New Zealand. This includes those returning to New Zealand from overseas, and this is the way that we support re-establishing our bright expatriates in this country and attracting new research talent to our shores.

## Strengthening research skills in health professionals

We will also offer a range of fellowships that are designed to provide frontline clinicians with the opportunity to gain a research qualification or to further their research career. This is a crucial part of our drive to increase evidence-based policy in the health sector and the uptake of research findings into clinical practice and health service delivery.

## Our processes

All career development awardees will be chosen by expert review of the proposed research and the potential and track record of the applicant. Progress will be monitored through review of annual reports and periodic outcome evaluations of certain awards.

## Science and Innovation: Vision Mātauranga Capability Crown Fund

The HRC invests approximately \$2 million from the Vision Mātauranga Capability Fund to support the development of skilled people and organisations that plan to undertake, or are undertaking, research that supports the themes and outcomes of the Vision Mātauranga policy. The aim of the policy is to unlock the science and innovation potential of Māori knowledge, resources and people for the health, environmental, economic, social and cultural benefit of New Zealand.

The Vision Mātauranga Capability Fund supports our Ngā Kanohi Kitea research contracts, which provide funding for iwi, hapū and Māori community groups, to focus on a community-identified health need. We have begun to review this funding opportunity which is supported by Vision Mātauranga Capability Fund to ensure that it strongly reflects the primary purpose of the Fund, capability development, and that the funding opportunity more effectively meet the needs of Māori communities. Consultation with MBIE, and targeted engagement with stakeholders is underway and will form critical elements of the review and redesign. We aim to launch the revised initiative within the 2021/22 financial year.

## Developing health research leaders and champions

### Training health professionals to conduct & interpret research

#### Māori

Building the skills and capacity to address Māori health issues and use indigenous knowledge to improve health

#### Pacific

Building the skills and capacity to address Pacific health issues and use Pacific knowledge to improve health

#### General

Building the skills and capacity to address our current and future health issues

STARTING OUT

#### Taking research to the community



#### Opportunities for researchers outside academia

- Rangahau Hauora Award
- Ngā Kanohi Kitea

#### Launching research careers



#### Qualifications up to doctoral level

- |   |   |   |
|---|---|---|
| <ul style="list-style-type: none"> <li>• PhD scholarship</li> <li>• Masters scholarship</li> <li>• Summer studentships</li> </ul> | <ul style="list-style-type: none"> <li>• PhD scholarship</li> <li>• Masters scholarship</li> <li>• Summer studentships</li> </ul> | <ul style="list-style-type: none"> <li>• Summer studentships (Ethics only)</li> </ul> |
|---|---|---|

#### Establishing research careers



#### Postdoctoral fellowships for emerging leaders

- |   |  |   |
|---|--|---|
| <ul style="list-style-type: none"> <li>• Hohua Tutengaehe Research Fellowship</li> <li>• Māori Health Postdoctoral Fellowship</li> <li>• Irihapeti Ramsden Fellowship</li> <li>• Eru Pomare Fellowship</li> </ul> | <ul style="list-style-type: none"> <li>• Pacific Health Postdoctoral Fellowship</li> </ul> | <ul style="list-style-type: none"> <li>• Girdlers New Zealand HRC Fellowship</li> </ul> |
|---|--|---|

#### Engaging health professionals



#### Research training & opportunities for our health workforce

- |  |   |  |
|--|---|--|
| <ul style="list-style-type: none"> <li>• Māori Clinical Research Training Fellowships</li> </ul> | <ul style="list-style-type: none"> <li>• Pacific Clinical Research Training Fellowship</li> </ul> | <ul style="list-style-type: none"> <li>• Foxley Fellowship</li> <li>• Clinical Research Training Fellowship</li> <li>• Clinical Practitioner Research Fellowship</li> <li>• Health Delivery Career Development Award*</li> </ul> |
|--|---|--|

#### Fostering fledgling leaders



#### Opportunities for mid-career researchers

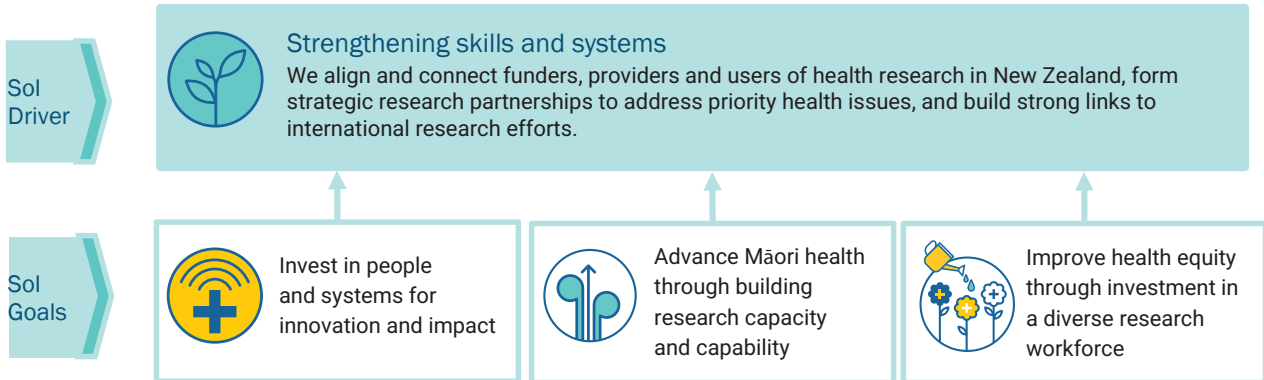
- |  |  |  |
|--|--|--|
| <ul style="list-style-type: none"> <li>• Nga Pou Fellowship</li> </ul> | <ul style="list-style-type: none"> <li>• Sir Thomas Davis Te Patu Kitea Rangī Ariki Research Fellowship</li> </ul> | <ul style="list-style-type: none"> <li>• Sir Charles Hercus Fellowship</li> <li>• Consolidator Grant*</li> </ul> |
|--|--|--|

MID-CAREER

\*Funded through Output 1

## Our performance indicators for Output 3 and how they fit our Statement of Intent

### The drivers and focus areas of the HRC's Statement of Intent that Output 3 delivers to



### Output 3. Strengthening skills and growing a diverse workforce

The HRC's investment in career development contracts is crucial to building & maintaining a healthy research ecosystem. We have chosen KPIs that focus on maintaining a skilled & diverse health research workforce - strengthening the clinical research environment & building capacity to address inequity in health outcomes.

Key performance indicators for Output 3	Baseline	2020/21 Actual	2021/22 Target
<b>Number of current career development contracts awarded to practising clinicians</b>	41 in 2018/19	50	>30
Why this KPI? The New Zealand Health Research Strategy requires us to support the work of the Ministry of Health in strengthening the clinical research environment. We do this partly by offering career development and research opportunities to clinicians. This indicator allows us to track the number of practising clinicians we are training each year to conduct, interpret and use health research. Training and engaging health professionals in the research process is a crucial way we deliver to our goal of investing in people and systems for innovation and impact.			
<b>Number of Māori Health Research Scholarships awarded (including, Masters, PhD and postdoctoral awards)</b>	10 2018/19	12	>8
Why this KPI? Ensuring that we have the capacity and capability to generate the knowledge that Māori need to provide appropriate interventions and solutions to indigenous health issues is an important way that we deliver to our goal of advancing Māori health. Growing and maintaining this capacity is critical to what we are trying to achieve.			
<b>Number of Pacific Health Research Scholarships awarded (including, Masters, PhD and postdoctoral awards)</b>	12 2018/19	17	>8
Why this KPI? Pacific peoples in New Zealand are faced with the greatest disparities in health in comparison with the rest of the population, and so our career development programme for Pacific people is an important means of improving health equity through investing in the diverse workforce who can make the biggest difference for the health and wellbeing of their communities.			

## Output 4: Keeping the health research system ethical and safe He whakaū i te haumarū me te tika o ngā pūnaha rangahau hauora

Our committees are a key national resource, providing advice on research ethics, monitoring and regulation.

Cost 2021/22	\$000's
Prospective revenue: refer to Financial Statements:	285
Prospective cost: refer to Financial Statements:	222
Surplus added to reserves:	63

### Scope of the Output

The HRC undertakes regulatory activities and safety monitoring and provides advice on health research issues. The extent to which some of these services are needed depends on the nature of the research applications submitted and varies from year to year. These activities are provided primarily through the work of several statutory and standing HRC committees.

Part of the HRC's contribution to an ethical health research environment is ensuring that health research in New Zealand is conducted in a way that is culturally appropriate and responsive to the needs of our diverse population. To this end, the HRC provides guidelines on the conduct of Māori health research and Pacific health research and requires that applicants formally address Māori Health Advancement in research proposals.

### The work of our ethics and regulatory committees

In 2021/22 our committees will provide the services outlined below.

#### The HRC Ethics Committee

In 2021/22 our statutory Ethics Committee (HRCEC) will continue to deliver one of our key functions under the HRC Act 1990 – to provide independent ethical advice

on health research of national importance or great complexity. The HRCEC will continue to:

- **approve all health and disability and institutional ethics committees in New Zealand,**
- consider appeals on disputed decisions for research involving human participants and on the ethics of introducing innovative practices, and
- produce guidelines on ethical research conduct.

The Ethics Committee will also continue to **administer the Data Monitoring Core Committee.**

#### The Data Monitoring Core Committee (DMCC)

The DMCC provide **objective, independent monitoring of HRC-funded clinical trials.** This primarily concerns large-scale clinical trials initiated by New Zealand researchers where:

- They relate to life-threatening diseases, or diseases which cause irreversible morbidity.
- There are special concerns regarding patient safety.
- The study investigators are inexperienced.
- The study integrity could be enhanced by the independence of the DMCC.



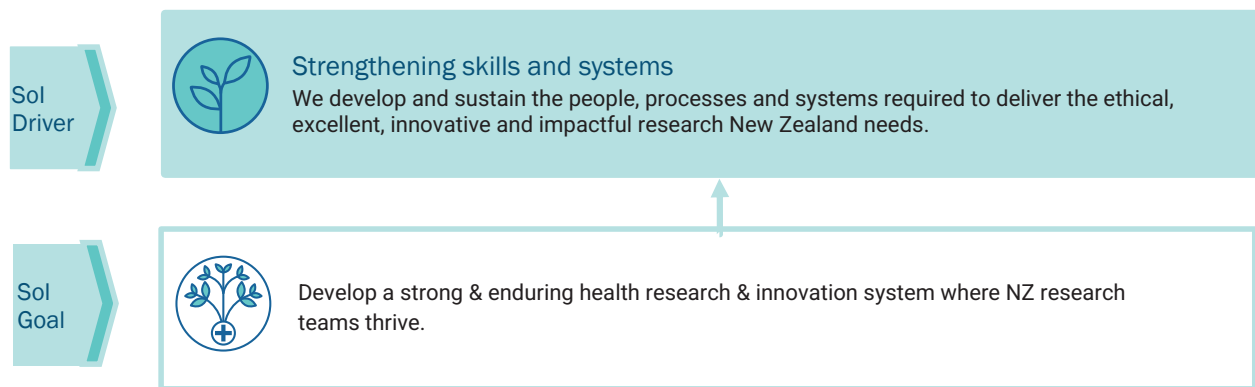
### The Gene Technology Advisory Committee (GTAC):

GTAC will assess the scientific merit of any new **New Zealand applications to produce new medical therapies** through the transfer of genes from another species to humans, and between species. If necessary, GTAC will advise the Minister of Health that such trials should not be allowed to proceed.

### The Standing Committee on Therapeutic Trials (SCOTT):

SCOTT will assess whether or not a proposed clinical trial of a medicine will provide **clinically and scientifically useful information**, particularly in relation to the **safety and efficacy** of the agent, and provide advice to the Ministry of Health.

## Our performance indicators for Output 4 and how they fit our Statement of Intent



### Output 4. Keeping the health research system ethical and safe

These measures relate to the work of the HRC Ethics Committee which underpins all health research conducted in New Zealand. Research that is not deemed ethical and safe cannot be allowed to proceed, and so this work is key to cultivating a sound health research environment.

Key performance indicators (KPIs) for Output 4	Baseline	2020/21 Actual	2021/22 Target
<b>Number of <i>Ethics Notes</i> published to inform researchers of issues on ethics in health research</b>	1 2017/18	1	1
Why this KPI? These notes are an important tool for reaching the health research community and so we have used their publication as a metric for disseminating key information and advice. Our target for 2021/22 is one because we intend to publish just once a year. This is based on the volume of information available, which can be communicated more efficiently in an annual publication.			
<b>Number of Health and Disability Ethics Committees (HDECs) reviewed &amp; approved by HRC annually</b>	4 2017/18	4	4
Why this KPI? Approving HDECs is an important role for the HRC in keeping the health research system ethical and safe and so we continue to set targets.			

# Forecast Financial Statements

## He Matakite ā-Tahua Putea

In this part of the Statement of Performance Expectations, the HRC's financial performance plan for the year ending 30 June 2022 and the outlook or plan for the two years beyond are set out. These were prepared in May 2021. The impact of the COVID-19 pandemic continues to deliver uncertainty and the future outlook for health and economic systems around the globe remain unclear.

The Council is responsible for the forecast financial statements presented in this Statement of Performance Expectations, including the appropriateness of the assumptions underlying the forecast financial statements and all other required disclosures.

The prospective forecast financial statements for the period 2020/21 to 2023/24 included in this Statement of Performance Expectations have been authorised by the HRC Council Members for issue on 1 July 2021.

The forecast financial statements have been prepared to comply with the requirements of Section 149G of the Crown Entities Act. They may not be appropriate for use for any other purpose. It is not intended for these forecast financial statements to be updated within the next 12 months.

The tables below provide a summary of the forecast financial statements for the audited result for the 2019/20, year-end forecast for 2020/21 and plans for years 2021/22 to 2023/24.

The forecast financial statements have been prepared based on actual events, transactions and financial results up to 30 April 2021 and assumptions about future events that are reasonably expected to occur, associated with the actions that are reasonably expected to be taken, as at the date that this information was prepared.

The forecast financial statements have been prepared based on the key assumptions for financial forecasts and the significant accounting policies summarised in the Significant Accounting Policies outlined in this plan.

The likely on-going impact of COVID19 on the detailed financial results achieved for the period covered is unknown, and the actual results are will almost certainly vary from the forecast/plan financial results presented. Such variations may be material.

### Responsible management of our finances and reserves

The HRC has a financial goal of providing research organisations, and individual researchers, with certainty of grant funding into future years. Our ability to achieve this is subject only to parliamentary appropriated funds being made available, applicants successfully meeting the grant criteria, and ongoing contractual requirements being met once grants has been awarded.

### Our operating environment

The COVID-19 situation means we are operating in an environment characterised by:

1. A high degree of uncertainty in respect of the future course and effects of COVID-19 in New Zealand.
2. Concomitant uncertainty about the ability of our diverse research community to deliver on existing and new contracts.
3. Uncertainty about the organisation-level responses of some large research providers in the short and longer term.
4. Significant strategic opportunity.

### Certainty in our operating environment

However, there is also a degree of certainty in our environment. It is likely that:

1. there will continue to be a diverse science and innovation sector in New Zealand, and therefore demand for the funding we allocate
2. the contributions of the Health Research Council, as outlined in the Ministerial letter of expectations, and this SPE, will still be desired by government
3. that the research and innovation sector will be regarded as a critical part of economic recovery from COVID19, and therefore

4. It is highly likely that we will continue to receive the appropriations at least at the current levels.

The Health Research Council has a critical role to play in supporting Aotearoa/New Zealand's recovery from COVID19 through our investment in the research workforce, health sector and investigator led research.

### **A pragmatic approach to budgeting**

Given that forecasting as we usually know it is impossible at present, we have framed the budget with a bottom-up approach anticipating that we will land somewhere between pre-COVID-19 levels and that achieved over the last twelve months, with the certainty that we will adapt to the evolving COVID19 situation. We believe that this is the most credible approach to take in the circumstances. We will become less reactive and more strategic so that our adaptations to COVID19 become aligned with our strategic goals as set out in the SPE and associated documents. We must also be alert to opportunities we cannot predict.

### **Managing our Public Equity balance**

One of the key challenges in the COVID19 situation has been managing our reserves.

The HRC has reserves in its balance sheet, excluding Joint Operations reserves and Foxley reserve fund, totalling \$12.8M at 30 June 2020 (\$7.7M at 30 June 2019). This has occurred for several reasons.

1. Research is, even in normal circumstances, unpredictable in its execution and outcome. This results in changes in planned research schedules and this has never been more evident than under Covid-19.
2. During the year to 30 June 2021, reserves have further increased as a result of these delays and the HRC Council is now segmenting the reserves to indicate the value that has been committed to research contracts but not yet paid out versus the amount underspent for research contract management.
3. The HRC has ring-fenced funding for partnerships with other organisations. However, expenditure has not been as rapid as expected.

We will continue to work with researchers and their institutions to ensure that they use HRC funding in a timely manner.



## Forecast Statement of Comprehensive Revenue and Expense

for the year ending 30 June 2022

	Note	Actual 2020 \$000	Forecast 2021 \$000	Plan 2022 \$000	Plan 2023 \$000	Plan 2024 \$000
<b>Revenue</b>						
Funding from the Crown	2	126,198	126,048	126,048	126,048	126,048
Interest Revenue		433	304	101	101	101
Other Revenue		985	575	585	585	585
<b>Total Income</b>		<b>127,616</b>	<b>126,927</b>	<b>126,735</b>	<b>126,735</b>	<b>126,735</b>
<b>Expense</b>						
Research Grant costs	3	115,833	111,203	126,353	123,513	119,199
<b>Operational costs</b>						
Assessment and Council Committee		842	869	1,072	1,052	1,052
Personnel costs		4,063	4,334	4,806	4,379	4,270
Depreciation and amortisation expense		115	76	159	188	175
Fees to Audit New Zealand for the audit of the financial statements		64	65	65	66	66
Other costs		889	1,199	1,328	1,120	1,140
<b>Total operational costs</b>		<b>5,973</b>	<b>6,542</b>	<b>7,430</b>	<b>6,805</b>	<b>6,704</b>
<b>Total expenses</b>		<b>121,806</b>	<b>117,745</b>	<b>133,783</b>	<b>130,318</b>	<b>125,903</b>
<b>Surplus/(Deficit)</b>		<b>5,810</b>	<b>9,182</b>	<b>(7,048)</b>	<b>(3,583)</b>	<b>832</b>
Other Comprehensive Revenue and Expense		0	0	0	0	0
<b>Total comprehensive revenue and expense</b>		<b>5,810</b>	<b>9,182</b>	<b>(7,048)</b>	<b>(3,583)</b>	<b>832</b>
<b>Representing:</b>						
Retained Earnings		653	518	(563)	62	164
Future committed funds for Research Grants		5,157	8,664	(6,486)	(3,645)	668
		<b>5,810</b>	<b>9,182</b>	<b>(7,048)</b>	<b>(3,583)</b>	<b>832</b>

## Forecast Statement of Changes in Equity

for the year ending 30 June 2022

	Note	Actual 2020 \$000	Forecast 2021 \$000	Plan 2022 \$000	Plan 2023 \$000	Plan 2024 \$000
Equity at the beginning of the year		16,175	21,985	31,167	24,119	20,536
Total comprehensive revenue and expense for the year		5,810	9,182	(7,048)	(3,583)	832
<b>Equity at the end of the year</b>	<b>6</b>	<b>21,985</b>	<b>31,167</b>	<b>24,119</b>	<b>20,536</b>	<b>21,368</b>
<b>Represented by</b>						
Retained earnings		5,009	5,527	4,964	5,027	5,190
Future committed funds for Research Grants		7,795	16,713	9,666	6,582	7,250
Joint Operation Reserve		7,925	7,925	7,925	7,925	7,925
Foxley Estate Reserve Fund		1,256	1,002	1,563	1,002	1,002
<b>Total equity at 30 June</b>	<b>6</b>	<b>21,985</b>	<b>31,167</b>	<b>24,119</b>	<b>20,536</b>	<b>21,368</b>

The accompanying accounting policies and notes form part of these financial statements



## Statement of Financial Position

for the year ending 30 June 2022

	Note	Actual 2020 \$000	Forecast 2021 \$000	Plan 2022 \$000	Plan 2023 \$000	Plan 2024 \$000
<b>Current Assets</b>						
Cash at Bank	4	1,171	7,676	2,888	3,993	3,500
Short-term Deposits	4	18,336	19,846	16,346	11,846	13,846
Short-term Deposits - Held for Joint Operations	4	7,925	7,925	7,925	7,925	7,925
Funds held on behalf of - Other Agencies	4	8,238	4,178	4,178	4,178	4,178
Funds held on behalf of - Foxley Estates	4	1,254	1,085	1,085	1,085	1,085
Receivables		600	379	379	379	379
<b>Total Current Assets</b>		<b>37,524</b>	<b>41,090</b>	<b>32,802</b>	<b>29,407</b>	<b>30,913</b>
<b>Non-Current Assets</b>						
Property Plant & Equipment		133	101	198	134	82
Intangible Assets		2	0	546	422	299
<b>Total Non-Current Assets</b>		<b>135</b>	<b>101</b>	<b>744</b>	<b>556</b>	<b>381</b>
<b>Total Assets</b>		<b>37,659</b>	<b>41,191</b>	<b>33,546</b>	<b>29,962</b>	<b>31,294</b>
<b>Current Liabilities</b>						
Payables		487	365	366	365	366
Contract Retentions	3	3,420	3,000	2,498	2,498	2,998
Provision for funds Committed Cost	5	334	328	328	328	328
Employee Entitlements		445	424	424	424	424
Rental Benefit in Advance		21	95	0	0	0
Funds held on behalf of other agencies	4	2,191	2,130	2,130	2,130	2,130
<b>Total Current Liabilities</b>		<b>6,898</b>	<b>6,343</b>	<b>5,747</b>	<b>5,746</b>	<b>6,247</b>
<b>Non-Current Liabilities</b>						
Provision for funds committed to International Agencies	5	2,632	1,632	1,632	1,632	1,632
Rental Benefit in Advance		96	0	0	0	0
Funds held on behalf of other agencies	4	6,048	2,048	2,048	2,048	2,048
<b>Total Non-Current Liabilities</b>		<b>8,776</b>	<b>3,680</b>	<b>3,680</b>	<b>3,680</b>	<b>3,680</b>
<b>Total Liabilities</b>		<b>15,674</b>	<b>10,023</b>	<b>9,427</b>	<b>9,426</b>	<b>9,927</b>
<b>Net Assets</b>		<b>21,985</b>	<b>31,168</b>	<b>24,119</b>	<b>20,536</b>	<b>21,368</b>
<b>Equity</b>						
Retained earnings		5,009	5,527	4,964	5,027	5,190
Future committed funds for Research Grants		7,795	16,713	9,666	6,582	7,250
Joint Operation Reserve		7,925	7,925	7,925	7,925	7,925
Foxley Estate Reserve Fund		1,256	1,002	1,563	1,002	1,002
<b>Total Equity</b>	6	<b>21,985</b>	<b>31,167</b>	<b>24,119</b>	<b>20,536</b>	<b>21,368</b>

The accompanying accounting policies and notes form part of these financial statements

## Statement of Cash Flow

for the year ending 30 June 2022

	Note	Actual 2020 \$000	Forecast 2021 \$000	Plan 2022 \$000	Plan 2023 \$000	Plan 2024 \$000
<b>Cash flows from operating activities</b>						
<i>Cash was provided from</i>						
Receipts from the Crown		126,198	126,048	126,048	126,048	126,048
Interest received		484	254	101	101	101
Other Revenue		846	762	415	415	415
		<b>127,528</b>	<b>127,064</b>	<b>126,565</b>	<b>126,565</b>	<b>126,565</b>
<i>Cash was applied to</i>						
Payments to suppliers		(113,275)	(114,911)	(131,109)	(126,022)	(121,854)
Payments to employees		(3,980)	(4,205)	(4,384)	(4,117)	(4,006)
GST		(1,371)	(230)	1,157	72	681
		<b>(118,626)</b>	<b>(119,345)</b>	<b>(134,335)</b>	<b>(130,067)</b>	<b>(125,179)</b>
<b>Net cash flow from operating activities</b>	8	<b>8,902</b>	<b>7,718</b>	<b>(7,771)</b>	<b>(3,502)</b>	<b>1,386</b>
<b>Cash flows from Investing activities</b>						
<i>Cash was provided from</i>						
Funds held on behalf of other agencies		17	1,146	5,299	5,299	5,299
Maturing Term Deposits		71,900	79,638	110,095	80,178	73,678
		<b>71,917</b>	<b>80,785</b>	<b>115,394</b>	<b>85,477</b>	<b>78,977</b>
<i>Cash was applied to</i>						
Funds paid on behalf of other agencies		(3,458)	(5,037)	(5,129)	(5,129)	(5,129)
Reinvestment of Term Deposits		(76,920)	(76,920)	(106,595)	(75,678)	(75,678)
Purchase of Property Plant & Equipment		(98)	(42)	(687)	(62)	(49)
		<b>(80,476)</b>	<b>(81,998)</b>	<b>(112,411)</b>	<b>(80,870)</b>	<b>(80,856)</b>
<b>Net cash flow from investing activities</b>		<b>(8,559)</b>	<b>(1,214)</b>	<b>2,983</b>	<b>4,608</b>	<b>(1,879)</b>
<b>Net increase (decrease) in cash held</b>		<b>343</b>	<b>6,505</b>	<b>(4,788)</b>	<b>1,105</b>	<b>(493)</b>
Cash at bank beginning of year		828	1,171	7,676	2,888	3,993
<b>Cash at Bank end of year</b>		<b>1,171</b>	<b>7,676</b>	<b>2,888</b>	<b>3,993</b>	<b>3,500</b>

The accompanying accounting policies and notes form part of these financial statements

## Notes to the Financial Statements

for the year ending 30 June 2022

### Note 1 - Statement of accounting policies

#### Reporting Entity

Health Research Council of New Zealand (HRC) is a Crown entity as defined by the Crown Entities Act 2004 and is domiciled and operates in New Zealand. The relevant legislation governing HRC's operations includes the Crown Entities Act 2004 and the HRC Act 1990. HRC's ultimate parent is the New Zealand Crown.

HRC's primary objective is to benefit New Zealand through health research. HRC does not operate to make a financial return. HRC has designated itself as a public benefit entity (PBE) for financial reporting purposes.

#### Basis of preparation

The financial statements have been prepared on a going concern basis, and the accounting policies have been applied consistently throughout the period.

#### Standards issued and not yet in effect and not early adopted

Standards and amendments, issued but not yet effective, that have not been early adopted are:

##### *Amendment to PBE IPSAS 2 Statement of Cash Flows*

An amendment to PBE IPSAS 2 Statement of Cash Flows requires entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cashflows and non-cash changes. The amendment is effective for annual periods beginning on or after 1 January 2021, with early application permitted. HRC does not intend to early adopt the amendment.

##### *PBE IPSAS 41 Financial Instruments*

The XRB issued PBE IPSAS 41 Financial Instruments in March 2019. This standard supersedes PBE IFRS 9 Financial Instruments, which was issued as an interim standard. It is effective for reporting periods beginning on or after 1 January 2022. Although HRC has not assessed the effect of the new standard, it does not expect any significant changes as the requirements are similar to PBE IFRS 9.

##### *PBE FRS 48 Performance Reporting*

PBE FRS 48 Performance Reporting replaces the service performance reporting requirements of PBE IPSAS 1 and is effective for periods beginning on or after 1 January 2022. HRC has not yet determined how application of PBE FRS 48 will affect its statement of performance.

#### Statement of compliance

The financial statements of HRC have been prepared in accordance with the requirements of the Crown Entities Act 2004, which includes the requirement to comply with generally accepted accounting practice in New Zealand (NZ GAAP). The financial statements have been prepared in accordance with Tier 1 PBE accounting standards. These financial statements comply with PBE accounting standards.

#### Presentation currency and rounding

The financial statements are presented in New Zealand dollars and all values are rounded to the nearest thousand dollars (\$000).

## Summary of Significant Accounting Policies

Significant accounting policies are included under the note to which they relate. Significant accounting policies that do not relate to a specific note are outlined below.

### a) Property Plant & Equipment (PPE) and Intangible Assets (IA)

All property, plant and equipment (PP&E) and intangible assets (IA) are stated at cost less accumulated depreciation or amortisation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition and development of the items. Where an asset is acquired in a non-exchange transaction for nil or nominal consideration the asset is initially measured at its fair value. Subsequent expenditure is capitalised only if it is probable that the future economic benefits associated with the expenditure will flow to HRC and the cost can be measured reliably. All other repair, maintenance, and costs of day-to-day servicing are recognised in surplus or deficit as incurred. The costs of self-constructed assets are recognised as work in progress and not depreciated or amortised until the assets are operating in the manner intended, at which time they are transferred to PP&E or IA. Gains and losses on disposals are determined by comparing the proceeds with the carrying amount of the asset and are reported net in the surplus or deficit.

Depreciation and amortisation are recognised in surplus or deficit and are calculated to write off the cost of items of PP&E and IA less their residual values using the straight-line method over their useful lives as follows. The assets' residual values and useful lives are reviewed, and adjusted prospectively, if appropriate, at the end of each reporting period.

PP&E	Office and computer equipment	3 to 5 years	20 - 33%
PP&E	Leasehold improvements	5 years	20%
IA	Acquired computer software	3 years	33%
IA	Developed computer software	5 years	20%

### b) Impairment of property, plant & equipment and intangible assets

HRC only holds non-cash-generating assets as no assets are used to generate a commercial return. PP&E and IA held at cost that have a finite useful life are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable service amount. The recoverable service amount is the higher of an asset's fair value less costs to sell and value in use. Value in use is determined using an approach based on either a depreciated replacement cost approach, restoration cost approach, or a service units' approach. The most appropriate approach used to measure value in use depends on the nature of the impairment and availability of information. If an asset's carrying amount exceeds its recoverable service amount, the asset is regarded as impaired and the carrying amount is written down to the recoverable amount. The total impairment loss is recognised in the surplus or deficit.

Summary of Significant Accounting Policies (continued)

### c) Employee entitlements

#### Short-term employee entitlements

Employee benefits that are due to be settled wholly before 12 months after the end of the period in which the employee renders the related service are measured based on accrued entitlements at current rates of pay. These include salaries and wages accrued up to balance date, annual leave earned but not yet taken at balance date, and sick leave.

#### Long-term employee entitlements

Employee benefits that are due to be settled wholly beyond 12 months after the end of period in which the employee renders the related service, such as long service leave and retirement gratuities, have been calculated on an actuarial basis. The calculations are based on likely future entitlements accruing to staff, based on years of service, years to entitlement, the likelihood that staff will reach the point of entitlement, contractual entitlement information, and the present value of estimated future cash flows.



#### *Presentation of employee entitlements*

Sick leave, annual leave and vested long service are classified as a current liability. Non-vested long service leave and retirement gratuities expected to be settled within 12 months of balance date are classified as a current liability.

#### *Contributions to defined contribution schemes*

Obligations for contributions to Kiwi Saver and the Government Superannuation Fund are accounted for as defined contribution superannuation schemes and are recognised as an expense in the surplus or deficit as incurred.

#### *d) Receivables*

Short-term receivables are recorded at the amount due, less an allowance for credit losses. HRC applies the simplified expected credit loss model of recognising lifetime expected credit losses for receivables.

#### *e) Payables*

Short-term payables are recorded at the amount payable.

#### *f) Goods and services tax*

All items in the financial statements are presented exclusive of GST, except for receivables and payables, which are presented on a GST-inclusive basis. Where GST is not recoverable as input tax, it is recognised as part of the related asset or expense.

#### *g) Income Tax*

HRC is a public authority and consequently is exempt from the payment of income tax. Accordingly, no provision has been made for income tax.

#### *h) Cost allocation*

HRC has determined the cost of outputs using the cost allocation system outlined below. There have been no changes to the cost allocation methodology since the date of the last audited financial statements. Direct costs are those costs directly attributed to an output. Indirect costs are those costs that cannot be identified in an economically feasible manner with a specific output.

Direct costs are charged directly to outputs. Indirect costs are charged to outputs based on cost drivers and related activity or usage information. Depreciation is charged based on asset utilisation. Personnel costs are charged based on actual time incurred. Property and other premises costs, such as maintenance, are charged based on floor area occupied to produce each output. Other indirect costs are assigned to outputs based on the proportion of direct staff costs for each output.

#### *i) Critical accounting estimates and assumptions*

In preparing these financial statements, HRC has made estimates and assumptions concerning the future. These estimates and assumptions may differ from the subsequent actual results. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. There are no estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

#### *j) Critical judgements in applying accounting policies*

Management has exercised the following critical judgments in applying accounting policies:

#### *Leases classification*

Determining whether a lease agreement is a finance, or an operating lease requires judgement as to whether the agreement transfers substantially all the risks and rewards of ownership to the HRC. Judgement is required on various aspects that include, but are not limited to, the fair value of the leased asset, the economic life of the leased asset, whether or not to include renewal options in the lease term and determining an appropriate discount rate to calculate the present value of the minimum lease payments. HRC has determined no lease arrangements are finance leases.

*Research Grant Expenditure*

For purposes of making payments HRC applies judgement during the year when determining whether an appropriate level of progress and quality has been achieved. It also ensures that no other change events have occurred which might affect payment.

**Note 2 – Revenue from the Crown: Non-exchange revenue**

Note 2 - Revenue from the Crown Non-exchange revenue	Actual 2020 \$000	Forecast 2021 \$000	Plan 2022 \$000	Plan 2023 \$000	Plan 2024 \$000
Ministry of Business, Innovation and Employment (MBIE)	125,913	125,763	125,763	125,763	125,763
Ministry of Health (MoH)	285	285	285	285	285
	<b>126,198</b>	<b>126,048</b>	<b>126,048</b>	<b>126,048</b>	<b>126,048</b>

**Accounting Policy**

The specific accounting policies for significant revenue items are explained below:

*Funding from the Crown*

HRC is primarily funded from the Crown. This funding is restricted in its use for the purpose of HRC meeting the objectives specified in its founding legislation and the scope of the relevant appropriations of the funder. HRC considers there are no conditions attached to the funding and it is recognised as revenue at the point of entitlement. The fair value of revenue from the Crown has been determined to be equivalent to the amounts due in the funding arrangements.

*Grants Received*

Grants are recognised as revenue when they become receivable unless there is an obligation in substance to return the funds if the conditions of the grant are not met. If there is such an obligation the grants are initially recorded as revenue received in advance and recognised as revenue when the conditions of the grant are satisfied.

*Interest revenue*

Interest revenue is recognised using the effective interest method.

*Provision of services*

Services provided to third parties on commercial terms are exchange transactions. Revenue from these services is recognised in proportion to the stage of completion at balance date.

*Joint Operations*

HRC recognises its share of income and expenditure by Joint Operations it is involved in as the obligations under the contract are performed. Also refer note 6.

**Restrictions attached to revenue from the Crown**

The HRC has been provided with funding from the Crown for the specific purposes of the HRC as set out in its Crown Funding Agreement with MBIE and Output Agreement with MoH. Apart from these general restrictions, there are no unfulfilled conditions or contingencies attached to government funding.

## Note 3 – Research Grant Expenditure

Note 3 - Research Grant Expenditure	Actual 2020 \$000	Forecast 2021 \$000	Plan 2022 \$000	Plan 2023 \$000	Plan 2024 \$000
Vote Health & Society Research	114,049	109,716	124,279	119,623	114,244
Vote Vision Mātauranga	1,429	915	703	2,726	3,177
Vote International Relationships	355	572	1,371	1,164	1,778
	<b>115,833</b>	<b>111,203</b>	<b>126,353</b>	<b>123,513</b>	<b>119,199</b>

### Accounting Policy

#### *Expenditure related to grants to researchers*

Expenditure is recognised as the obligations under the contract are performed. Provision is made for any retentions and disbursements held at the end of the contract pending a final research report.

#### *Expenditure related to Joint Operations*

HRC recognises its share of income and expenditure by Joint Operations it is involved in as the obligations under the contract are performed. Also refer note 6.

#### *Expenditure related to funds committed to International Agencies*

Expenditure and a provision are recognised when HRC has committed to an International Agency to undertake and fund a research project and deliver the research to the International Agency such that a constructive obligation is created, and the amount involved can be reliably measured (Refer to Note 5). Related research costs are recognised against the provision as the obligations under the research contract are performed. Expenditure is recognised as the obligations under the contract are performed. Provision is made for any retentions held at the end of the contract pending a final research report.

#### *Contract Retentions*

Contract retentions relate to amounts withheld equivalent to 1 month's funding for each year of the term of the health research contract until a contractor provides a final research report. The contract funding retention is recognised as a financial liability at the end of the contract term, until the funding withheld is paid when the final research report is completed and provided to HRC.

#### *Disbursements*

Disbursements relate to amounts held for expenditure claims payable to career development applicants by the HRC upon submission of an approved claim. Disbursements payable are recognised as a liability at the end of the contract.

#### *Critical judgements in applying accounting policies*

For purposes of making payments HRC applies judgement during the year when determining whether an appropriate level of progress and quality has been achieved. It also ensures that no other change events have occurred which might affect payment.

## Note 4 – Cash and cash equivalents, Short-term deposits and Funds held on behalf of other agencies

### Accounting policy

Cash and cash equivalents include cash on hand, and deposits held on call with banks. The carrying value of short-term deposits which are invested with maturity dates of 3 months or less approximates their fair value.

#### *Short-Term Deposits – Held for Joint Operations*

Short-Term Deposits – Held for Joint Operations are the short-term funds set aside to meet the commitments made by HRC to Joint Operations. These funds are interest bearing.

*Funds held on behalf of other agencies*

Funds held on behalf of other agencies are the balance of funds held which have been contributed by other partners to joint venture projects. These funds are interest bearing. Where funds have been committed to research contracts, payment terms are dependent on the individual underlying contracts. Uncommitted funds are held with no payment terms. The release of those funds to research projects are approved jointly by HRC and partners.

Short term funds held on behalf of other agencies are the contract payments to be made in the next 12 months. The balance of funds held on behalf of other agencies are treated as long term liabilities.

*Funds held on behalf of Foxley Estate*

Funds held on behalf of the Foxley Estate are pursuant to an HRC resolution to hold the bequeathed funds to support the Foxley Fellowship from the interest earned by the fund.

**Note 5 – Provision for Funds Committed to International Agencies**

<b>Note 5 - Provision for Funds Committed to International Agencies</b>	<b>Actual 2020 \$000</b>	<b>Forecast 2021 \$000</b>	<b>Plan 2022 \$000</b>	<b>Plan 2023 \$000</b>	<b>Plan 2024 \$000</b>
Balance 1 July		2,966	1,960	1,960	1,960
Provisions made during the year	2,966				
Provisions used during the year		1,006			
Provisions Reversed during the year					
Unwind of discount					
Balance 30 June	2,966	1,960	1,960	1,960	1,960
Short Term (current)	334	328	328	328	328
Long Term (non-current)	2,632	1,632	1,632	1,632	1,632
	<b>2,966</b>	<b>1,960</b>	<b>1,960</b>	<b>1,960</b>	<b>1,960</b>

**Accounting Policy***Provision for funds committed to International Agencies*

Refer to Note 3 – research grant costs. Provisions are discounted to their present value at the reporting date and the unwinding of interest is recognised in surplus or deficit as part of “Other costs”

*International Agency funding*

International agency funding relates to two projects:

- The HRC's commitment to participate in the 6th joint call part of its membership of the Global Alliance for Chronic Disease (GACD). Under this call, HRC has committed to provide \$2.0m in funding for cancer research, the results of which will be shared with members of the GACD. As of 30 June 2020, the balance of this provision was \$1,974k of which it expects to utilise \$111k in the next 12 months.
- The HRC's collaboration with National Science Foundation of China (NSFC) in which it has established a funding initiative to support the development of collaborative research relationships between the two countries. As part of its second project with the NSFC, HRC has committed to making \$1.0m available to researchers for bio-medical research over the next 2 – 3 years which it will share with the NSFC. As of 30 June 2020, the balance of this provision was \$996k of which it expects to utilise \$223k in the next 12 months.



HRC has estimated the cashflow profile of each of the above provisions. While there is certainty about overall amounts committed there is uncertainty at balance date as to the exact timing of when payments for research will commence. Changes in the timing of the cash flow profile are not expected to be material.

## Note 6 – Equity

Note 6 - Equity	Actual 2020 \$000	Forecast 2021 \$000	Plan 2022 \$000	Plan 2023 \$000	Plan 2024 \$000
<b>Movements in Equity</b>					
<b>Public Equity</b>					
<b>Retained Earnings (Research Contract Management)</b>					
Balance 1 July	4,356	5,009	5,527	4,964	5,027
Surplus/(deficit) for the year	653	518	(563)	62	164
Balance 30 June	<b>5,009</b>	<b>5,527</b>	<b>4,964</b>	<b>5,027</b>	<b>5,190</b>
<b>Future Committed Research Grants</b>					
Balance 1 July	3,321	7,795	16,713	9,666	6,582
Surplus/(deficit) for the year	5,157	8,664	(6,486)	(3,645)	668
Transfer of Net Income from/(to) Joint Operations Reserve Fund	(899)	(0)	0	0	0
Transfer of Net Income from/(to) Foxley Reserve Fund	216	254	(561)	561	0
Balance 30 June	7,795	16,713	9,666	6,582	7,250
<b>Joint Operations Reserve Fund</b>					
Balance 1 July	7,026	7,925	7,925	7,925	7,925
Transfer of Net Income from/(to) Foxley Reserve Fund	899	0	0	0	0
Balance 30 June	<b>7,925</b>	<b>7,925</b>	<b>7,925</b>	<b>7,925</b>	<b>7,925</b>
<b>Foxley Reserve Fund</b>					
Balance 1 July	1,472	1,256	1,002	1,563	1,002
Transfer (to)/from Accumulated Surplus/(deficit)	(216)	(254)	561	(561)	0
Balance 30 June	1,256	1,002	1,563	1,002	1,002
<b>Total Equity at 30 June</b>	<b>21,985</b>	<b>31,167</b>	<b>24,119</b>	<b>20,536</b>	<b>21,368</b>

### Accounting Policy

Equity is measured as the difference between total assets and total liabilities. Equity is disaggregated and classified into the following components.

- Accumulated surplus/(deficit) – Research Contract Management
- Future Committed Research Grants
- Joint Operations Reserve
- Foxley Estate Reserve Fund.

HRC records equity in the above categories to properly represent the components that it comprises.

#### *Retained Earnings – Research Contract Management*

HRC receives funding from the Government to support the provision of the services as determined in the Health Research Council Act 1990. Additionally, income may be generated through the provision of services to third parties and interest received where it does not contribute to the Research Grant funding pool. HRC is committed to operating within the financial constraints of a fixed income and, as with any business, experiences periods of cost savings as well as times when additional expenditure is necessary to maintain up-to-date systems and processes.

Over recent years HRC has gradually accumulated savings in this category, however it is expected that the next two years will require accessing some of those funds for necessary improvements.

#### *Future Committed Research Grants*

HRC receives funding from the Government to invest in Health Research in New Zealand.

HRC applies the same principle in recognising the Research Funds and the Research Expenditure in the statement of comprehensive revenue or expense:

- Research Funds are recognised as revenue when HRC has fulfilled the obligations attached (i.e. on receipt from the Crown)
- Research Expenditure is recognised as an expense when the researchers fulfil their obligations attached to the Research Expenditure.

HRC invests this funding into research and other related projects which are often multi-year. PBE Standards require expenditure to be recognised when services are received. This often means, for multi-year projects, expenditure is recognised over the term of the arrangement as the research work is carried out or as milestones are met by the research provider.

Expenditure is recognised as the obligations under the contract are performed. Provision is made for any retentions and disbursements held at the end of the contract pending a final research report.

The fact that the revenue received has been allocated to fund future project costs is not reflected in the accounting results, nor is HRC able to create a provision for these future costs, because PBE IPSAS 19 Provisions, Contingent Liabilities and Contingent Assets specifically disallows recognising a liability for expenses that have not been incurred as at the reporting date.

Although the recognition principles are similar, the period of time required for fulfilling the obligations by HRC and the researchers is different.

As expenditure can only be recognised per the accounting standards as it is incurred, and this is subject to delays dependent on the individual Researchers' ability to perform under the contract, HRC has adopted a prudent approach to the distribution of funds to ensure that payments are not being made ahead of milestones being achieved.

This timing difference results in a pool of funds that have already been committed but not yet distributed. These funds have been identified in equity as Future Committed Research Grants.

As a Crown entity, the HRC is required to manage the equity relating to Crown funds within a \$15.0m cap. A breach of this cap attracts a penalty of 5% on the total equity balance. With the Covid-19 impact of delaying research commencement or progress previously discussed, it is highly likely that a charge will be incurred for both June 2020 and June 2021.

#### *Joint Operations Reserve*

##### **Accounting policy**

HRC recognises its share of jointly controlled assets, liabilities, expenses, and income. The joint operations reserve represents HRC's interest in assets and liabilities of jointly controlled operations at balance date.

The HRC regularly enters joint funding arrangements with various parties. The HRC generally enters into an overall agreement with another party whereby the main terms and format of the research funding agreement are agreed ("Umbrella Agreement"). The parties then agree on the research initiatives under that Umbrella Agreement.

Under these research agreements HRC and the other party generally agree to

1. Jointly contribute an amount (committed funds) to pursue research activities ("the research initiative"); and
2. Have equal decisions making rights as to how those monies are spent.

HRC accounts for its joint operations by recognising its share of the jointly controlled assets, liabilities and expenses and income as these are incurred.

#### *Foxley Estate Reserve Fund*

The Foxley Estate Reserve Fund relates to the assets bequeathed to the HRC in 1998. The Council resolved to hold the bequest funds as the "Foxley Estate Reserve Fund" and to support the Foxley Fellowship from the interest earned by the fund. Interest received on these assets is credited to the reserve. Grants made for research sabbaticals are charged against the reserve.

## **Note 7 - Capital management**

The HRC's capital is its equity, which comprises accumulated funds and other reserves. Equity is represented by net assets. The HRC is subject to the financial management and accountability provisions of the Crown Entities Act 2004, which impose restrictions in relation to borrowings, acquisition of securities, issuing guarantees and indemnities and the use of derivatives. The HRC manages its equity as a by-product of prudently managing revenues, expenses, assets, liabilities, investments, and general financial dealings to ensure the HRC effectively achieves its objectives and purpose, whilst remaining a going concern.

## Note 8 – Reconciliation of Operating surplus (deficit) to net cash flow from operating activities

Note 8 - Reconciliation of Operating surplus (deficit) to net cash flow from operating activities	Actual 2020 \$000	Forecast 2021 \$000	Plan 2022 \$000	Plan 2023 \$000	Plan 2024 \$000
Surplus /(Deficit) for year	5,810	9,182	(7,048)	(3,583)	832
Add non-cash items					
Depreciation and Amortisation expense	115	76	159	188	175
Joint Venture Management Fees Earned	(155)	(170)	(170)	(170)	(170)
Rent recovered	(21)	(21)	(95)	0	0
Add/(deduct) movements in provisions					
Add/(deduct) movements in provisions	2,966	(1,006)	0	(39)	(38)
Add/(deduct) movements in working capital items					
Receivable (increase)/decrease	105	220	0	0	0
Payables increase/(decrease)	82	(563)	(617)	102	587
<b>Net cash flow from operating activities</b>	<b>8,902</b>	<b>7,718</b>	<b>(7,771)</b>	<b>(3,502)</b>	<b>1,386</b>

# How the HRC reports on strategy and performance - the documents

Te āhua o tā HRC pūrongo i ngā rautaki me ngā putanga – ngā kōnae





# Glossary of Abbreviations and Terms

## He kuputaka mō ngā Whakarāpopototanga me ngā Kupu

- **DHB:** District Health Board
- **HRC:** The Health Research Council of New Zealand
- **HWNZ:** Health and Wellbeing in New Zealand Research Investment Stream
- **IOACC:** Improving Outcomes for Acute and Chronic Conditions Research Investment Stream
- **IRO:** Independent Research Organisation
- **MBIE:** Ministry of Business, Innovation and Employment
- **MoH:** Ministry of Health
- **NZHD:** New Zealand Health Delivery Research Investment Stream
- **NZHRPF:** New Zealand Health Research Prioritisation Framework
- **NZHR:** New Zealand Health Research Strategy
- **Outcomes:** The benefits that our Impacts will ultimately bring for New Zealand society. These are not directly measurable and so we track our progress through surrogate measures against our Impacts
- **Outputs:** The principal services that we provide and the functions we fulfil, which are linked to our funding
- **PP:** Partnership Programme
- **RHM:** Rangahau Hauora Māori Research Investment Stream
- **RIS:** Research Investment Stream(s)
- **RPNZHD:** Research Partnerships for New Zealand Health Delivery
- **Sol:** Statement of Intent
- **SPE:** Statement of Performance Expectations



Health Research Council  
of New Zealand

Te Kaunihera Rangahau Hauora o Aotearoa

©2021. This work is licensed under a CC BY 4.0 license.

To view a copy of this license, visit <https://creativecommons.org/licenses/by/4.0/> or send a letter to Creative Commons, PO Box 1866, Mountain View, CA 94042, USA.

Published by the Health Research Council of New Zealand  
PO Box 5541, Victoria Street West, Auckland 1142  
Telephone 09 303 5200. Email [info@hrc.govt.nz](mailto:info@hrc.govt.nz)

This document is available on the Health Research Council of New Zealand website:  
<https://www.hrc.govt.nz>