

# The Treasury

## Budget 2017 Information Release

### Release Document July 2017

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Reference: T2017/69 BM-2-4-2017-10-2

Date: 24 January 2017



To: Minister of Finance (Hon Steven Joyce)  
Associate Minister of Finance (Hon Simon Bridges)  
Associate Minister of Finance (Hon Amy Adams)  
Minister of Science and Innovation (Hon Paul Goldsmith)  
Minister for Primary Industries (Hon Nathan Guy)  
Minister of Commerce and Consumer Affairs (Hon Jacqui Dean)  
Minister of Statistics (Hon Mark Mitchell)

Deadline: None

## **Aide Memoire: Business Growth Agenda Budget 2017 - Innovation**

### **Purpose**

This Aide Memoire supports the discussion amongst BGA Innovation Ministers on the relative priority of Budget 2017 initiatives that relate to the BGA Innovation workstream.

The Treasury assessments focus on the merits of the initiatives, and their alignment with the BGA 2017 Refresh priorities. Our assessments are informed by the supporting information that has been provided by agencies, including cost benefit templates. Our advice also reflects the assessment of selected BGA budget initiatives by the BGA Peer Review Process.

Once each of the Business Growth Agenda (BGA) Ministerial groups has discussed the initiatives relevant to their sectors, Ministers Joyce and Bridges will consider options for prioritised packages across the BGA to fit into the available allowance, with advice from the BGA Leadership Group.

### **Context**

Budget 2017 is building on a number of positive changes that were introduced in Budget 2016 to ensure greater scrutiny is applied consistently across all investment decisions. There has been a shift in focus towards better use of evidence to support decision making, enforcing greater transparency around cost drivers, and agencies developing a deeper understanding of their business and customers.

These positive changes include the enforcement of cost benefit analysis and broader application of CBAX, greater use of expert panels, and more transparency around future costs and benefits. Embedding these changes will help drive value for money investment across the system.

The operating allowance for Budget 2017 is set at \$1.5 billion per annum. In total, there are over [33] of which approximately [33]

**BGA refresh priorities for the Innovation workstream**

The Business Growth Agenda has provided a strong organising framework for delivering the Government’s economic growth agenda. BGA Ministers have expressed their intention for the BGA Refresh themes to shape the BGA Budget package. The BGA Innovation workstream has seven outcomes. Initiatives have been grouped under each outcome below:

<b>New Business Through Innovation:</b> Grow New Zealand’s start-up ecosystem and support businesses with smart new ideas, including projects on Precision agriculture, and developing the Callaghan Innovation sector approach	
<i>R&amp;D Growth Grants – Meeting Rising Demand</i>	[33]
<i>Increasing the Size of the Performance Based Research Fund</i>	<i>Additional Funding for the Endeavour Fund</i>
<b>Globally Integrated Innovation Network:</b> Strengthen global and national connections across the innovation system such as through the Australia agreement, the [33] and the development of Entrepreneurial universities	
[33]	<i>Multi-National Corporation R&amp;D Attraction Programme</i>
	<i>Strategic Science Investment Fund: Antarctic Platform</i>
<i>Accommodation Support for National Antarctic Programmes</i>	<i>Our Place In Antarctica</i>
<b>Advanced Technologies:</b> Invest in advanced science and technologies to diversify our economy and such as space and satellite technologies, or through the Pre-Seed Accelerator Fund review.	
[33]	
<b>Digital Economy:</b> Make the most of opportunities digital technologies present to diversify exports and help businesses to grow through initiatives such as [33] the mobile blackspot fund and <i>Connect Smart</i> .	
[33]	
<b>Adaptive Regulatory Frameworks and Competitive Markets:</b> Support and encourage innovative businesses with an agile regulatory system and competitive markets as seen in the Space Bill and the Electronic Interactions Reform Bill as well as our work to improve standards and innovation.	
<i>New Zealand Space Agency</i>	[33]

<i>New Zealand Business Number</i>	<i>Result 9 Accelerator: Making it Easier for Businesses to Interact with Government</i>
<b>Data Driven Innovation:</b> Use data to drive innovation and build performance across the science and innovation system, through improving weather data access and initiatives to support advanced data analytics and the development of a single electronic health record.	
<i>Strategic Science Investment Fund Platform: Development of Hazards Response Capability</i>	<i>Census Transformation to 2020</i>
[33]	[33]
<b>Innovation Skills:</b> Ensure businesses have the skills they need to succeed through programmes that support entrepreneurial education, cyber security skills and various levels of digital skills.	
[33]	

The total amount of funding sought over the next four years in the Innovation workstream is [33] and [33] **capital expenditure**. Of the initiatives we have assessed, Treasury recommends supporting [33] **million operating** and [33] **capital expenditure** over the next four years.

<b>Outcomes</b>	<b>Sought (4yrs)</b>	<b>Recommended (4yrs)</b>
<b>New Business Through Innovation</b>	[33]	
<b>Outcome 2: Globally Integrated Innovation Network</b>		
<b>Outcome 3: Advanced Technologies</b>		
<b>Outcome 4: Digital Economy</b>		
<b>Outcome 5: Adaptive Regulatory Frameworks and Competitive Markets</b>		
<b>Outcome 6: Data Driven Innovation</b>		
<b>Outcome 7: Innovation Skills</b>		

#### **Emerging themes per workstream**

- There are a number of initiatives which have ‘cross-cutting’ themes between this workstream and other Government priorities. A number of initiatives aligned with the ‘adaptive regulatory frameworks and competitive markets’ such as the

Result 9 Accelerator and New Zealand Business Number have strong links with Government priorities on making it easier for businesses to interact with Government agencies and legislation.

- Three of the initiatives in the BGA Innovation workstream were considered by the BGA Peer Review Process (R&D Growth Grants – Meeting Rising Demand, Additional Partnerships Funding and [33]  
    . The Panel raised a number of questions around the policy rationale, timing and level of funding for these initiatives, which have been considered in Treasury’s assessment of the initiatives.

### **Discussion points for Workstream Ministers**

- How do these initiatives align with Ministers expectations for the BGA Innovation workstream in Budget 2017?
- Which of the initiatives do Ministers consider have the greatest alignment with broader Government priorities?
- Which of the Strategic Science Investment Fund initiatives do Ministers consider to be of greatest value?

**Jonathan Williams**, Analyst, Economic Performance & Strategy (Policy), [39]

**Sebastian Doelle**, Analyst, Economic Performance & Strategy (Policy), [39]

**Sam King**, Acting Team Leader, Economic Performance & Strategy (Policy), [39]



	<b>Accommodation Support for National Antarctic Programs</b>	This funding will provide rent-free office and operational accommodation for National Antarctic Programmes, principally the US Antarctic Program, to increase their connectedness to Christchurch; protect New Zealand's wider relationship with the US; ensure their continued economic commitment to New Zealand's Antarctic Gateway; and enhance their collaborative logistics and science arrangements with Antarctica New Zealand.		Support in full. The case for providing accommodation support is strong. Due to the logistics sharing arrangements New Zealand has for Antarctica with the US, Italian and Korean Antarctic programmes, we assess this bid to be a relatively low cost but high impact initiative. Supporting this initiative will help sustain New Zealand's ongoing activities in Antarctica through a clear demonstration of commitment to the logistics sharing arrangements, [1]	Sought	0.850	0.850	0.850	0.900	0.000
					TSY Rec	0.850	0.850	0.850	0.900	0.000
	<b>Our Place in Antarctica</b>	This funding will provide the necessary resource in the form of design, engineering, site survey, environmental impact assessment and project planning that is necessary to complete a full concept, developed design and detailed business case for a modern, low-impact, efficient facility that satisfies New Zealand's strategic interests (as outlined in the "Our Place in Antarctica" Indicative business case).	Discretionary	Support in full. There is a clear strategic case to commit to New Zealand's ongoing presence in Antarctica through funding the detailed design phase for the rebuild of Scott Base. Inaction or delay will only heighten ongoing health & safety concerns at the current Scott Base. Full costs for the rebuild will be sought in 2019 and while these are expected to be significant, we will ensure Ministers will be given options.	Sought	1.200	0.940	0.000	0.000	4.000
					TSY Rec	1.200	0.940	0.000	0.000	4.000
	<b>Strategic Science Investment Fund: Antarctica Platform</b>	This funding will increase investment in the Strategic Science Investment Fund, providing a stable funding environment for underpinning, longer-term Antarctic science critical to maximising scientific and strategic benefits for New Zealand. This will meet new science needs in the Ross Sea Marine Protected Area and deliver on the Antarctica and Southern Ocean Science Strategy 2010-2020.	Discretionary / Cabinet Policy Decision	Support in full. This initiative has strong links to other Government investment and interests in Antarctica. Potential for baseline funding but not recommended.	Sought	[33]	7.000	7.000	7.000	0.000
					TSY Rec		7.000	7.000	7.000	0.000
	<b>Multi-National Corporation R&amp;D Attraction Program</b>	This funding will enable a scaling up of the Multinational Corporation Research and Development Attraction Programme so that it can deliver on its goal of attracting 10 multinational companies' R&D facilities to New Zealand by 2020.	Discretionary	Support in full. This program has delivered benefits exceeding costs to date, and is likely to deliver greater (and potentially transformational in terms of increasing business R&D) benefits in future, if funded to meet demand.	Sought	2.000	2.000	2.000	[33]	0.000
					TSY Rec	2.000	2.000	2.000		0.000
	<b>Advanced Technologies</b>	[33]								

<p><b>Digital Economy</b></p>	<p>[33]</p>	<p>[33]</p>	<p>[33]</p>
<p><b>Adaptive Regulatory Frameworks and Competitive Markets</b></p>	<p>[33]</p>	<p>[33]</p>	<p>[33]</p>
<p><b>New Zealand Space Agency</b></p>	<p>This funding will enable MBIE to respond to the opportunities for economic growth the emerging Space sector offers. MBIE has been designated as the lead Space agency. This funding will supplement the departmental costs associated with MBIE's new functions.</p>	<p>Discretionary / Cabinet Policy Decision</p>	<p>Partially support. Cabinet has agreed to establish a space agency within MBIE to undertake regulatory functions and advise on space policy issues. Our view is that insufficient information has been provided to fund the agency at the level requested, and that there are outstanding questions around the user-pays regulatory framework which Cabinet should decide on prior to authorising long-term funding.</p>



	<b>Result 9 Accelerator: Making it Easier for Businesses to Interact with Government</b>	This initiative establishes an ongoing public sector innovation Accelerator programme to develop solutions for major pain points that reduce the effort for customers (businesses and individuals) interacting with government. The funding will support one Accelerator every 9 months (5 over the forecast period).	Discretionary	Treasury supports this initiative, however, it recommends that funding be limited to the forecast period. Further funding into outyears should be considered following the review that is planned for 2018/19. Treasury considers that The agency is capable of delivering the initiative, however innovation is inherently risky, so the expected outcomes cannot be guaranteed. The implementing team has a history of undertaking independent evaluation and implementing the learnings from that evaluation into future accelerators.	Sought	2.850	2.850	[33]	0.000
					TSY Rec	2.850	2.850		0.000
	<b>New Zealand Business Number</b>	NZBN is a key initiative and enabler within the R9 Better for Business Programme contributing to the reduction of costs for business interacting with Govt by 25%. This initiative builds on this foundation to accelerate adoption of the NZBN by businesses and agencies while supporting the implementation timeframes to Dec 2020. The funding supports personnel, research, targeted communication to facilitate and support businesses to register and maintain their NZBN, and large businesses to implement the NZBN within their key processes and systems.	Discretionary	[33]	Sought				
					TSY Rec				
<b>Data Driven Innovation</b>	<b>Strategic Science Investment Fund Platform: Development of Hazards Response Capability</b>	This funding will enable agencies to implement beyond 2016/17 the decision by Cabinet on 19 December 2016 to: Enhance New Zealand's earthquake, tsunami and volcano monitoring and warning capability, and develop the new models and tools needed to improve the reliability and resolution of hazards warnings. This will include research to characterise geological processes and risks and development of related technologies and networks.	Discretionary / Cabinet Policy Decision	Partially support. Cabinet has agreed to fund an expansion of GeoNet's monitoring of earthquake, tsunami and volcano monitoring and warning capability, the benefits of which are potentially significant. Insufficient information has been provided at this stage however to support further research into hazards and processes. Upcoming Cabinet decisions may influence this recommendation, however.	Sought			[33]	
					TSY Rec				
		[33]							

[33]

<b>Census Transformation to 2020</b>	To further progress the Census Transformation programme, Statistics NZ is seeking investment through Budget 2017 to continue testing the feasibility of an administrative data census.	Discretionary / Cabinet Policy Decision	Support in full. Funding this initiative will allow work to continue to enable Ministers to make decisions around whether to trial an administrative Census, which could delivery significant cost savings in future.	Sought	1.630	1.400	1.420	0.000	0.000
				TSY Rec	1.630	1.400	1.420	0.000	0.000

[33]

**Annex II**  
Bubble diagram

[33]