

VOTE *Crown* *Research Institutes*

Crown Research Institutes

Overview

Departmental appropriations sought for Vote Crown Research Institutes (CRIs) in 2006/07 total \$1.072 million. This appropriation is intended to be spent as follows:

- Ownership monitoring advice to, and management of issues on behalf of, the Minister for CRIs, the Minister of Research, Science & Technology, and the Minister for Economic Development.

Non-departmental appropriations sought for Vote Crown Research Institutes in 2006/07 total \$2.245 million. This is intended to be spent on:

- Settling indemnities provided to CRIs when they were established, relating to legal claims against the former science departments, cleaning up contaminated sites and meeting various statutory requirements.
- Providing assistance to individual CRIs, where certain conditions have been met, for costs arising from non-excluded potential or actual liabilities.

Terms and Definitions Used

CCMAU	Crown Company Monitoring Advisory Unit
CRI	Crown Research Institute
REANNZ	Research and Education Advanced Network New Zealand Ltd
VIF	New Zealand Venture Investment Fund Ltd

Minister Portfolio Table

20	Minister for Crown Research Institutes
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Crown Research Institutes

VOTE MINISTER: Minister for Crown Research Institutes
ADMINISTERING DEPARTMENT: The Treasury
The Minister of Finance is the Responsible Minister for the Treasury

Part A - Statement of Objectives and Trends

Part A1 - Objectives for Vote

Related Government Outcomes

The appropriations in Vote CRIs will make an important contribution in assisting New Zealand's transformation to a high income, knowledge based economy for the benefit of all New Zealanders. They fund the provision of advice to enable shareholding Ministers to hold the boards of the CRIs, VIF and REANNZ accountable for their performance in maintaining and enhancing shareholder value. Monitoring the Crown's ownership interest in these companies contributes to the efficient management of the Crown's assets and liabilities. The CRIs, VIF and REANNZ have an important role to play in the New Zealand innovation system, thereby contributing to improving New Zealand's overall economic performance.

Output Expenses

The appropriation is intended to fund the provision of policy and ownership monitoring advice on nine CRIs, VIF and REANNZ, and the provision of advice on the performance of the CRI Capability Fund, and includes:

- advising the Minister for CRIs, the Minister for Economic Development and the Minister of Research, Science & Technology on the strategic direction of CRIs, VIF and REANNZ respectively and the commercial and fiscal risks associated with Crown ownership
- providing advice which assists the Minister for CRIs, Minister for Economic Development and the Minister of Research, Science & Technology to set ownership objectives and targets for CRIs, VIF and REANNZ
- monitoring and advising the Minister for CRIs, Minister for Economic Development and the Minister of Research, Science & Technology of CRIs', VIF's and REANNZ's performance against these objectives and targets
- providing policy advice on, and managing issues arising out of, the ownership of CRIs, VIF and REANNZ, including residual implementation issues
- managing, on behalf of the responsible Ministers, the appointment of CRI, VIF and REANNZ directors and monitoring the performance of those directors and boards
- assisting the responsible Minister in the formulation of shareholders' expectations in relation to the governance practices and structures companies adopt.

Maintaining and enhancing the Crown's ownership interest in these companies contributes to the efficient management of the Crown's assets and liabilities. The CRIs, VIF and REANNZ have an important role to

play in the New Zealand innovation system, thereby contributing to improving New Zealand's overall economic performance.

Part A2 - Trends in Vote

The time series of departmental and Crown flows detailed in the table below for Vote CRIs reflects the variation in outputs purchased by the Crown. It also reflects fluctuations in non-departmental expenses.

Output Trends: 2001/02 to 2006/07

Variations in output expenditure over this period reflect changes in the nature and quantity of outputs. The variation in the costs of monitoring advice in this output expense appropriation between 1999/2000 and 2003/04 reflects the changing demands of the responsible Minister for project-based work requiring resources outside the Unit. The level of advice has been consolidated with the emphasis shifting towards enhancing the quality of outputs.

During 2001/02 the Unit managed to achieve savings of \$59,000. Consequently, the appropriation for that year decreased from \$797,000 to \$738,000.

In 2002/03 the appropriation was fully spent. Compared to the previous year, when savings were achieved, this result was primarily due to the cost of an unexpected independent enquiry into one part of a CRI's activities.

In 2003/04 CCMAU continued its core monitoring activities. In addition, it was heavily involved in providing advice about the commercialisation of publicly funded research. This included active participation in a Commercialisation Steering Group with officials from the Treasury, the Ministry of Research, Science & Technology, and the Tertiary Advisory Monitoring Unit.

Expenditure in 2004/05 reflected continuing work on identifying a suite of indicators to better reassure the value created by the commercialisation of intellectual property from CRIs.

Also, CCMAU continued its role in policy development being actively involved in a review of research vessels' options, the Oceans 20/20 project, a review of the National Isotope Centre and background work towards the establishment of a National Centre for Emerging Diseases and Biosecurity.

In 2005/06 CCMAU monitored the policy development activity as well as its core monitoring role. Specific highlights included:

- providing advice on a review of the organisational and purchasing arrangements supporting New Zealand's weather forecasting and climate services
- implementation of the Seed Co-Investment Fund
- the establishment and incorporation of REANNZ, and
- policy options relating to CRI technology transfer and commercialisation activities.

The appropriation for 2006/07 will essentially serve to fund the continuation of activities that were carried out during 2005/06.

Non-departmental Expenditure Trends: 2001/02 to 2006/07

Variations in expenditure reflect one-off items rather than ongoing transactions. Appropriations enable the Crown to settle claims under indemnities and provisions provided to CRIs when they were established. These indemnities and provisions primarily relate to:

- claims against the Crown arising from the activities of the former science departments prior to the formation of CRIs
- reimbursement to CRIs of costs associated with the cleaning up of contaminated site
- reimbursement to CRIs of costs associated with statutory requirements (eg, the Building Act 1991).

In 2004/05 additional funds were appropriated to settle further previously unforeseen liabilities arising from the establishment of CRIs, and assist one CRI to meet the costs of cleaning up a contaminated site.

The timing of the settlement of these previously unforeseen liabilities has been delayed due to the resource consent processes taking longer than anticipated. Settlement is now most likely in 2006/07.

However, the clean up of the one CRI's contaminated site was completed in 2005/06.

From 1998/99, Crown revenue from the net surpluses of CRIs was transferred to Vote CRIs from Vote Finance. From 2002/03, following full line-by-line consolidation, CRI net surpluses are reported directly into the Crown accounts by the individual companies, with only the dividends being reported through the Vote.

Part B - Statement of Appropriations

Summary of Financial Activity

	2001/02	2002/03	2003/04	2004/05	2005/06		2006/07 Appropriations to be Used				2007/08	2008/09	2009/10	
	Actual \$000	Actual \$000	Actual \$000	Actual \$000	Budget \$000	Estimated Actual \$000	By the Department Administering the Vote		For Non-Departmental Transactions		Total \$000	Estimated \$000	Estimated \$000	Estimated \$000
							Annual \$000	Other \$000	Annual \$000	Other \$000				
Appropriations														
Output Expenses	738	819	892	957	981	981	1,072	-	-	-	1,072	1,073	1,074	1,074
Benefits and Other Unrequited Expenses	-	-	-	-	-	-	N/A	N/A	-	-	-	-	-	-
Borrowing Expenses	-	-	-	-	-	-	N/A	N/A	-	-	-	-	-	-
Other Expenses	82	47	35	847	-	-	-	-	2,245	-	2,245	-	-	-
Capital Expenditure	-	-	-	-	-	-	N/A	N/A	-	-	-	-	-	-
Intelligence and Security Department Expenses and Capital Expenditure	-	-	-	-	-	-	-	-	N/A	N/A	-	-	-	-
Total Appropriations	820	866	927	1,804	981	981	1,072	-	2,245	-	3,317	1,073	1,074	1,074
Crown Revenue and Receipts														
Tax Revenue	-	-	-	-	-	-	N/A	N/A	N/A	N/A	-	-	-	-
Non-Tax Revenue	14,536	3,450	350	15,000	18,300	18,300	N/A	N/A	N/A	N/A	12,200	13,300	-	-
Capital Receipts	-	-	-	-	-	-	N/A	N/A	N/A	N/A	-	-	-	-
Total Crown Revenue and Receipts	14,536	3,450	350	15,000	18,300	18,300	N/A	N/A	N/A	N/A	12,200	13,300	-	-

Part B1 - Details of Appropriations

Appropriations	2005/06				2006/07		Scope of 2006/07 Appropriations
	Budget		Estimated Actual		Vote		
	Annual \$000	Other \$000	Annual \$000	Other \$000	Annual \$000	Other \$000	
Departmental Output Expenses (General)							
Crown Company Monitoring Advice to the Minister for Crown Research Institutes and the Minister of Research, Science and Technology (M20)	981	-	981	-	1,072	-	- Provision by the CCMAU of ownership monitoring advice to, and management of issues on behalf of, the Minister for CRIs, Minister for Economic Development and Minister of Research, Science & Technology in respect of the Ministers' shareholder responsibilities.
Total Departmental Output Expenses (General)	981	-	981	-	1,072	-	
Other Expenses to be Incurred by the Crown							
Crown Residual Liabilities (M20)	-	-	-	-	2,245	-	- Payments made in relation to indemnities provided by the Crown to CRIs when they were established, relating to settling legal claims against the former science departments, cleaning up contaminated sites, meeting various statutory requirements, and reimbursing CRIs for redundancy payments in relation to staff not retained.
Total Other Expenses to be Incurred by the Crown	-	-	-	-	2,245	-	
Total Appropriations	981	-	981	-	3,317	-	

Part C - Explanation of Appropriations for Output Expenses

Part C1 - Departmental Output Expenses

Crown Company Monitoring Advice to the Minister for Crown Research Institutes, Minister for Economic Development and the Minister of Research, Science & Technology

This output involves the provision of policy and ownership monitoring advice on nine CRIs, VIF and REANNZ, and the provision of advice on the performance of the CRI Capability Fund, and includes:

- advising the Minister for CRIs, the Minister for Economic Development and the Minister of Research, Science & Technology on the strategic direction of CRIs, VIF and REANNZ respectively and the commercial and fiscal risks associated with Crown ownership
- providing advice which assists the Minister for CRIs, the Minister of Economic Development and the Minister of Research, Science & Technology to set ownership objectives and targets for CRIs, VIF and REANNZ
- monitoring and advising the Minister for CRIs, Minister of Economic Development and the Minister of Research, Science & Technology of CRIs', VIF's and REANNZ's performance against these objectives and targets
- providing policy advice on, and managing issues arising out of, the ownership of CRIs, VIF and REANNZ, including residual implementation issues
- managing, on behalf of the responsible Ministers, the appointment of CRI, VIF and REANNZ directors and monitoring the performance of those directors and boards
- assisting the responsible Minister in the formulation of shareholders' expectations in relation to the governance practices and structures companies adopt.

Maintaining and enhancing the Crown's ownership interest in these companies contributes to the efficient management of the Crown's assets and liabilities. The CRIs, VIF and REANNZ have an important role to play in the New Zealand innovation system, thereby contributing to improving New Zealand's overall economic performance.

Part E - Explanation of Capital Flows

Part E2 - Statement of Estimated and Forecast Net Worth of Entities Owned

Net Worth of Entities Owned

The Minister for CRIs is responsible for the Government's ownership interest in CRIs. The Minister of Finance is the sole other and equal shareholding Minister. The estimated net worth (total assets less total liabilities) of these bodies is listed in the table below.

Changes in net worth result from the net effects of profit (after tax), dividends paid and capital injections or withdrawals. Data for these organisations are based on forecasts provided for inclusion in the 2006 Budget.

	Balance Date	Estimated Net Worth 2006 \$000	Forecast Net Worth 2007 \$000
Crown Entities:			
All CRIs	30 June	345,500	359,400

Part F - Crown Revenue and Receipts

Part F1 - Current and Capital Revenue and Capital Receipts

	2005/06		2006/07	Description of 2006/07 Crown Revenue
	Budgeted \$000	Estimated Actual \$000	Budget \$000	
Non-Tax Revenue				
Dividends from Crown Research Institutes	18,300	18,300	12,200	Dividends paid to the Crown by CRIs. Dividend policy for CRIs is set out in shareholding Ministers' operating framework for the companies and states that, where a CRI has opportunities to invest appropriately (and providing its capital structure is acceptable) it should do so in lieu of paying a dividend.
Total Non-Tax Revenue	18,300	18,300	12,200	
Total Crown Revenue and Receipts	18,300	18,300	12,200	