



# Cabinet Expenditure Control Committee

ECC Min (09) 6/2

## Minute of Decision

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## Reversing Unfunded Budget 2008 Commitments for Economic Transformation: Innovation

Portfolio: Economic Development

On 24 March 2009, the Cabinet Expenditure Control Committee (ECC):

### Background

- 1 **noted** that the previous Government's Budget 2008 Economic Transformation (ET): Innovation initiatives were partly funded by charges against future Budgets as follows:

	2009/10	2010/11	2011/12	2012/13 & outyears	4-year total
Budget 2009	93.000	100.000	100.000	100.000	393.000
Budget 2010	-	75.000	75.000	75.000	225.000
Budget 2011	-	-	25.000	25.000	50.000
<b>Total</b>	<b>93.000</b>	<b>175.000</b>	<b>200.000</b>	<b>200.000</b>	<b>668.000</b>

- 2 **noted** that the Minister of Finance invited the Minister for Economic Development to lead a process with the Minister for Tertiary Education and the Minister for Research, Science and Technology to bring a proposal to Cabinet in early February 2009 outlining how this pre-commitment may be unwound, and the implications for doing so;
- 3 **noted** that on 9 March 2009, Cabinet:
- 3.1 considered a submission seeking approval for savings proposals to unwind the previous government's Budget 2008 ET: Innovation Package;
- 3.2 invited the Minister of Finance and the Minister for Tertiary Education to give further consideration to the proposed Tertiary Education savings, to separate the savings arising from unwinding the ET: Innovation package from other proposed savings in Vote Tertiary Education;

3.3 invited the Minister for Economic Development, in consultation with the Minister of Finance, the Minister for Tertiary Education, and the Minister for Research, Science and Technology, to submit a revised paper to ECC for further consideration of the proposals;

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4 **noted** that the total savings identified in each expenditure area are as follows:

	2009/10	2010/11	2011/12	2012/13 & outyears	4 year total
Tertiary Education	47.304	126.396	167.702	179.638	521.040
Research, Science and Technology	37.366	20.748	31.168	30.918	120.200
Economic Development	3.700	7.000	8.000	8.000	26.700
Total Savings	88.370	154.144	206.870	218.556	667.940
<b>Cf Total Pre-commitment</b>	<b>93.000</b>	<b>175.000</b>	<b>200.000</b>	<b>200.000</b>	<b>668.000</b>

5 **noted** that the impact on the operating balance and debt is as follows:

	\$m – increase/(decrease)				
	2008/09	2009/10	2010/11	2011/12	2012/13 & Outyears
Operating Balance Impact	-	(90.344)	(158.032)	(212.398)	(224.382)
Debt Impact	-	1.974	3.888	5.528	5.826
No Impact	-	-	-	-	-
<b>Total</b>		<b>(88.370)</b>	<b>(154.144)</b>	<b>(206.870)</b>	<b>(218.556)</b>

6 **noted** that the total savings over the next four years match the required total savings, and the savings in outyears exceed the outyear savings required, but that the profile of the savings from year to year differs from the phasing of the pre-commitment;

### Tertiary Education

7 **noted** that tertiary education savings options have been provided that focus in the areas funded at Budget 2008, whilst protecting front-line services and manifesto commitments, and that further savings have been identified in areas of relatively low value, where necessary, to reach the total savings required;

8 **noted** that these savings options do not have any legislative or Treaty of Waitangi implications, and that legal risk has been managed by minimising the need to renegotiate existing agreements;

9 **agreed** to amend the Consumer Price Index adjustments to tertiary education funding as follows:

9.1 remove the adjustment to the Student Achievement Component and Tertiary Education Organisation Component in 2011;

9.2 reduce the adjustment to the Student Achievement Component and Tertiary Education Organisation Component in 2010 from 2.5 per cent to 1.95 per cent, to reflect the latest forecasts;

9.3 remove the adjustment to the Industry Training Fund and Adult and Community Education in 2010 and 2011;

9.4 correct the funding levels for Modern Apprenticeships (which do not currently allow for a 2009 adjustment beyond the end of 2008/09);

10 **approved** the following changes to appropriations to put into effect the decisions in paragraph 9 above, with a corresponding impact on the operating balance:

Vote Education Minister for Tertiary Education	\$m – increase/(decrease)				
	2008/09	2009/10	2010/11	2011/12	2012/13 & Outyears
Non-Departmental Output Expenses: Tertiary Education: Student Achievement Component	-	(4.400)	(27.500)	(46.200)	(46.200)
Training for Designated Groups	-	(1.500)	(5.700)	(7.600)	(7.600)
Non-Departmental Other Expenses: Tertiary Education Organisation Component – Capability Fund	-	(0.700)	(4.700)	(8.000)	(8.000)
Tertiary Education Organisation Component – Performance-Based Research Fund	-	(0.700)	(4.100)	(6.900)	(6.900)
Adult and Community Education	-	(0.400)	(1.000)	(1.400)	(1.400)
Tertiary Education Grants and Other Funding	-	-	(0.100)	(0.200)	(0.200)
<b>Total Operating</b>	<b>-</b>	<b>(7.700)</b>	<b>(43.100)</b>	<b>(70.300)</b>	<b>(70.300)</b>

11 **approved** the following changes to appropriations to reduce the Industry Training Organisation Strategic Leadership Fund from 2011, with a corresponding impact on the operating balance:

Vote Education Minister for Tertiary Education	\$m – increase/(decrease)				
	2008/09	2009/10	2010/11	2011/12	2012/13 & Outyears
Non-Departmental Other Expense: Tertiary Education Organisation Component – Capability Fund	-	-	(1.750)	(3.500)	(3.500)

- 12 **approved** the following changes to appropriations to halve the Encouraging and Supporting Innovation Fund from 2010, with a corresponding impact on the operating balance:

<b>Vote Education Minister for Tertiary Education</b>	\$m – increase/(decrease)				
	<b>2008/09</b>	<b>2009/10</b>	<b>2010/11</b>	<b>2011/12</b>	<b>2012/13 &amp; Outyears</b>
Non-Departmental Other Expense: Tertiary Education Organisation Component – Capability Fund	-	(4.000)	(8.000)	(8.000)	(8.000)

- 13 **approved** the following changes to appropriations to remove Priorities for Focus funding for universities from 2011, with a corresponding impact on the operating balance:

<b>Vote Education Minister for Tertiary Education</b>	\$m – increase/(decrease)				
	<b>2008/09</b>	<b>2009/10</b>	<b>2010/11</b>	<b>2011/12</b>	<b>2012/13 &amp; Outyears</b>
Non-Departmental Other Expense: Tertiary Education Organisation Component – Capability Fund	-	-	(5.000)	(10.000)	(10.000)

- 14 **approved** the following changes to appropriations to reduce the growth in funding for literacy, language, and numeracy programmes from 2009/10, with a corresponding impact on the operating balance:

<b>Vote Education Minister for Tertiary Education</b>	\$m – increase/(decrease)				
	<b>2008/09</b>	<b>2009/10</b>	<b>2010/11</b>	<b>2011/12</b>	<b>2012/13 &amp; Outyears</b>
Non-Departmental Output Expenses: Training for Designated Groups	-	-	(1.600)	(1.600)	(2.600)
Managing the Government's Investment in the Tertiary Education Sector	-	(1.100)	(1.950)	(2.300)	(5.010)
Benefits and Other Unrequited Expenses: Tertiary Scholarships	-	(0.500)	(1.780)	(1.980)	(1.980)
Non-Departmental Other Expenses: Adult and Community Education	-	(7.000)	(16.400)	(21.400)	(25.100)
Tertiary Education Organisation Component - Capability Fund	-	-	(2.000)	-	-
<b>Total Operating</b>	-	<b>(8.600)</b>	<b>(23.730)</b>	<b>(27.280)</b>	<b>(34.690)</b>

- 15 **approved** the following changes to appropriations to close off the approval of new Top Achiever Doctoral Scholarships after the final applications round closes in May 2009, with a corresponding impact on the operating balance:

<b>Vote Education Minister for Tertiary Education</b>	\$m – increase/(decrease)				
	<b>2008/09</b>	<b>2009/10</b>	<b>2010/11</b>	<b>2011/12</b>	<b>2012/13 &amp; Outyears</b>
Benefits and Other Unrequited Expenses: Tertiary Scholarships	-	(2.776)	(5.308)	(7.852)	(10.000)

- 16 **agreed** to cease awarding new scholarships under the Step-Up and Bonded Merit Scholarship Programmes after the current round of scholarships in 2009, and that current recipients of these scholarships will retain their eligibility;
- 17 **noted** that the funding implications of ceasing funding for Step-Up Scholarships for Vote Social Development are:

<b>Vote Social Development</b>	\$m – increase/(decrease)				
	<b>2008/09</b>	<b>2009/10</b>	<b>2010/11</b>	<b>2011/12</b>	<b>2012/13 &amp; Outyears</b>
Operating Balance Impact	-	(3.739)	(7.161)	(9.955)	(11.137)
Debt Impact	-	0.803	1.651	2.348	2.647
No Impact	-	-	-	-	-
<b>Total</b>	-	<b>(2.936)</b>	<b>(5.510)</b>	<b>(7.607)</b>	<b>(8.490)</b>

- 18 **noted** that the funding implications of ceasing funding for Step-Up Scholarships for Vote Revenue are:

<b>Vote Revenue</b>	\$m – increase/(decrease)				
	<b>2008/09</b>	<b>2009/10</b>	<b>2010/11</b>	<b>2011/12</b>	<b>2012/13 &amp; Outyears</b>
Operating Balance Impact	-	-	(0.037)	(0.114)	(0.221)
Debt Impact	-	-	(0.043)	(0.137)	(0.279)
No Impact	-	-	-	-	-
<b>Total</b>	-	-	<b>(0.080)</b>	<b>(0.251)</b>	<b>(0.500)</b>

- 19 **approved** the following changes to appropriations to cease funding for the Step-Up Scholarships Programme:

<b>Vote Social Development Minister for Social Development and Employment</b>	\$m – increase/(decrease)				
	<b>2008/09</b>	<b>2009/10</b>	<b>2010/11</b>	<b>2011/12</b>	<b>2012/13 &amp; Outyears</b>
Departmental Output Expenses (General):					
Management of Student Support (funded by Revenue Crown)		(0.617)	(0.746)	(0.828)	(0.849)
Benefits and Other Unrequited Expenses:					
Study Scholarships and Awards	-	(3.429)	(7.047)	(10.026)	(11.301)
Other Expenses to be Incurred by the Crown:					
Debt Write-downs	-	0.326	0.670	0.954	1.075
Capital Expenditure:					
Student Loans	-	0.833	1.712	2.436	2.746
<b>Total Operating</b>	-	<b>(3.720)</b>	<b>(7.123)</b>	<b>(9.900)</b>	<b>(11.075)</b>
<b>Total Capital</b>	-	<b>0.833</b>	<b>1.712</b>	<b>2.436</b>	<b>2.746</b>

- 20 **noted** that the funding implications of ceasing funding for Bonded Merit Scholarships for Vote Social Development are:

<b>Vote Social Development Minister for Social Development and Employment</b>	\$m – increase/(decrease)				
	<b>2008/09</b>	<b>2009/10</b>	<b>2010/11</b>	<b>2011/12</b>	<b>2012/13 &amp; Outyears</b>
Operating Balance Impact	-	(4.370)	(8.489)	(12.581)	(13.808)
Debt Impact	-	1.171	2.342	3.513	3.865
No Impact	-	-	-	-	-
<b>Total</b>	-	<b>(3.199)</b>	<b>(6.147)</b>	<b>(9.068)</b>	<b>(9.943)</b>

- 21 **noted** that the funding implications of ceasing funding for Bonded Merit Scholarships for Vote Revenue are:

<b>Vote Revenue Minister of Revenue</b>	\$m – increase/(decrease)				
	<b>2008/09</b>	<b>2009/10</b>	<b>2010/11</b>	<b>2011/12</b>	<b>2012/13 &amp; Outyears</b>
Operating Balance Impact	-	-	(0.055)	(0.163)	(0.323)
Debt Impact	-	-	(0.062)	(0.196)	(0.407)
No impact	-	-	-	-	-
<b>Total</b>	-	-	<b>(0.117)</b>	<b>(0.359)</b>	<b>(0.730)</b>

- 22 **approved** the following changes to appropriations to cease funding for the Bonded Merit Scholarships Programme:

Vote Social Development Minister for Social Development and Employment	\$m – increase/(decrease)				
	2008/09	2009/10	2010/11	2011/12	2012/13 & Outyears
Departmental Output Expenses (General): Management of Student Support (funded by Revenue Crown) Benefits and Other Unrequited Expenses: Study Scholarships and Awards	-	(4.500)	(9.000)	(13.500)	(14.850)
Other Expenses to be Incurred by the Crown: Debt Write-downs	-	0.476	0.951	1.427	1.570
Capital Expenditure: Student Loans	-	1.215	2.430	3.645	4.010
<b>Total Operating</b>	-	<b>(4.342)</b>	<b>(8.434)</b>	<b>(12.499)</b>	<b>(13.717)</b>
<b>Total Capital</b>	-	<b>1.215</b>	<b>2.43</b>	<b>3.645</b>	<b>4.010</b>

- 23 **agreed** to reduce the operating baseline for the Tertiary Education Commission, with a corresponding impact on the operating balance:

Vote Education Minister for Tertiary Education	\$m – increase/(decrease)				
	2008/09	2009/10	2010/11	2011/12	2012/13 & Outyears
Non-Departmental Output Expenses: Managing the Government's Investment in Tertiary Education Sector	-	(4.608)	(3.583)	(3.583)	(3.583)
Ownership Monitoring of Tertiary Education Institutions	-	(2.408)	(1.908)	(1.908)	(1.908)
Tertiary Education and Training Policy Advice	-	(2.284)	(1.884)	(1.884)	(1.884)
<b>Total Operating</b>	-	<b>(9.300)</b>	<b>(7.375)</b>	<b>(7.375)</b>	<b>(7.375)</b>

- 24 **agreed** to remove the following small funds (each fund is of less than \$2.0 million per year), to reduce administration costs in tertiary education:

- 24.1 Building Research Capacity in Social Sciences;
- 24.2 Targeted Education and Training Grants;
- 24.3 Pathfinders;
- 24.4 ACE Innovation and Development Fund;
- 24.5 Community Learning Aotearoa New Zealand;

- 25 **approved** the following changes to appropriations to give effect to the decisions in paragraph 24 above with a corresponding impact on the operating balance:

<b>Vote Education Minister for Tertiary Education</b>	\$m – increase/(decrease)				
	<b>2008/09</b>	<b>2009/10</b>	<b>2010/11</b>	<b>2011/12</b>	<b>2012/13 &amp; Outyears</b>
Non-Departmental Output Expenses: Centres of Research Excellence	-	(0.667)	(1.333)	(1.333)	(1.333)
Training for Designated Groups	-	(0.605)	(1.211)	(1.211)	(1.211)
Non-Departmental Other Expenses: Tertiary Education Grants and Other Funding	-	(0.500)	(1.000)	(1.000)	(1.000)
Adult and Community Education	-	(0.089)	(0.178)	(0.178)	(0.178)
Benefits and Other Unrequited Expenses: Targeted Education and Training Grants	-	-	(0.040)	(0.080)	(0.080)
<b>Total Operating</b>	<b>-</b>	<b>(1.861)</b>	<b>(3.762)</b>	<b>(3.802)</b>	<b>(3.802)</b>

- 26 **approved** the following changes to appropriations to withdraw Student Achievement Component funding for regulatory compliance qualifications from 2011, with a corresponding impact on the operating balance:

<b>Vote Education Minister for Tertiary Education</b>	\$m – increase/(decrease)				
	<b>2008/09</b>	<b>2009/10</b>	<b>2010/11</b>	<b>2011/12</b>	<b>2012/13 &amp; Outyears</b>
Non-Departmental Output Expense: Tertiary Education Student Achievement Component	-	-	(3.094)	(6.188)	(6.188)
Non-Departmental Other Expense: Tertiary Education Organisation Component – Capability Fund	-	-	(0.906)	(1.812)	(1.812)
<b>Total Operating</b>	<b>-</b>	<b>-</b>	<b>(4.000)</b>	<b>(8.000)</b>	<b>(8.000)</b>

- 27 **approved** the following changes to appropriations to cease funding for Skill Enhancement from 2010, with a corresponding impact on the operating balance:

<b>Vote Education Minister for Tertiary Education</b>	\$m – increase/(decrease)				
	<b>2008/09</b>	<b>2009/10</b>	<b>2010/11</b>	<b>2011/12</b>	<b>2012/13 &amp; Outyears</b>
Non-Departmental Output Expense: Training for Designated Groups	-	(2.154)	(4.308)	(4.308)	(4.308)

- 28 **approved** the following changes to appropriations to reduce Adult and Community Education funding for schools and community groups from 2010, with a corresponding impact on the operating balance:

<b>Vote Education Minister for Tertiary Education</b>	\$m – increase/(decrease)				
	<b>2008/09</b>	<b>2009/10</b>	<b>2010/11</b>	<b>2011/12</b>	<b>2012/13 &amp; Outyears</b>
Non-Departmental Other Expense: Adult and Community Education	-	(4.778)	(8.209)	-	-



## Research, Science and Technology

- 29 **agreed** that the following initiatives from Budget 2008 be unwound or scaled back:
- 29.1 a joint initiative between the Foundation for Research, Science and Technology and the Science Directorate of the European Union aligned to environmental research;
  - 29.2 increased funding for renewable energy to maintain existing capability;
  - 29.3 Energy Transformational Research, Science and Technology;
  - 29.4 increased funding for nationally significant research, science and technology databases and collections;
  - 29.5 increased funding for the Marsden Fund;
  - 29.6 increased funding for the Pre-Seed Accelerator Fund;
  - 29.7 High Tech Platforms Transformational Research, Science and Technology;
  - 29.8 increased long-term funding for Outcome Based Investments;
- 30 **agreed** to make savings identified from the line-by-line review of expenditure in Vote Research, Science and Technology in the following areas:
- 30.1 Environmental Research;
  - 30.2 Marsden Fund;
  - 30.3 New Economy Research Fund;
  - 30.4 Research for Industry;
  - 30.5 Sustainable Energy Development;
  - 30.6 Pre-Seed Accelerator Fund;
  - 30.7 International Investments Opportunities Fund;
  - 30.8 Technology New Zealand;

- 31 **approved** the following changes in appropriations to put into effect the decisions in paragraphs 29 and 30 above:

Vote Research, Science and Technology Minister of Research, Science and Technology	\$m - increase/(decrease)				
	2008/09	2009/10	2010/11	2011/12	2012/13 & Outyears
Non-Departmental Output Expenses:					
<i>Environmental Research</i>	-	(13.888)	(6.000)	(6.000)	(6.000)
<i>Marsden Fund</i>	-	-	(1.000)	(4.000)	(4.000)
<i>New Economy Research Fund</i>	-	(1.778)	(5.000)	(7.000)	(7.000)
<i>Research for Industry</i>	-	(8.611)	(4.998)	(6.918)	(6.918)
<i>Sustainable Energy Development</i>	-	-	-	(4.000)	(4.000)
Non-Departmental Other Expenses					
<i>Pre-Seed Accelerator Fund</i>	-	(3.000)	(3.000)	(3.000)	(3.000)
<i>International Investments Opportunities Fund</i>	-	(0.889)	-	-	-
<i>Technology New Zealand</i>	-	(9.200)	(0.750)	(0.250)	-
<b>Total Operating</b>	-	<b>(37.366)</b>	<b>(20.748)</b>	<b>(31.168)</b>	<b>(30.918)</b>
<b>Total Capital</b>	-	-	-	-	-

## Economic Development

- 32 **agreed** that the following initiatives from Budget 2008 be scaled back:
- 32.1 the expansion of the Beachheads Programme;
  - 32.2 development and maintenance of the New Zealand Trade and Enterprise (NZTE) website;
  - 32.3 additional funding for the Major Events Development Fund;
  - 32.4 expansion of the Better by Design Programme;
- 33 **agreed** to make savings identified from the line-by-line review of expenditure in Vote Economic Development in the following areas:
- 33.1 NZTE strategic initiatives and sector projects;
  - 33.2 NZTE marketing and communications;
  - 33.3 NZTE investment facilitation services;

34 **approved** the following changes in appropriations to put into effect the decisions in paragraphs 32 and 33 above:

<b>Vote Economic Development Minister for Economic Development</b>	<b>\$m - increase/(decrease)</b>				
	<b>2008/09</b>	<b>2009/10</b>	<b>2010/11</b>	<b>2011/12</b>	<b>2012/13&amp; Outyears</b>
Non Departmental Output Expenses: Identification and Coordination of International Market Opportunities		(0.700)	(1.500)	(1.700)	(1.700)
International Investment Facilitation Services	-	-	(1.100)	(0.900)	(0.900)
Regional and Sector Development Services	-	(2.800)	(4.200)	(5.200)	(5.200)
Non Departmental Other Expense: Major Events Development Fund	-	(0.200)	(0.200)	(0.200)	(0.200)
<b>Total Operating</b>	-	<b>(3.700)</b>	<b>(7.000)</b>	<b>(8.000)</b>	<b>(8.000)</b>

Secretary

Reference: ECC (09) 12

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