

The Treasury

Budget 2015 Information Release

Release Document July 2015

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In preparing this Information Release, the Treasury has considered the public interest considerations in section 9(1) of the Official Information Act.

Reference: T2015/101

TY-2

Date: 4 March 2015

To: Minister of Finance
(Hon Bill English)

Associate Minister of Finance
(Hon Steven Joyce)

BGA Innovation Ministers

Deadline: Innovation Ministers Meeting on 10 March
(if any)

Aide Memoire: Budget 2015 Initiatives in the BGA Innovation Workstream

Purpose

The purpose of this note is to support a discussion amongst Innovation Ministers on the relative priority of Budget initiatives that relate to the Innovation workstream of the Business Growth Agenda (BGA).

The following tables outline the relevant initiatives and the Treasury's advice on their value for money, links to BGA objectives, and the degree of pre-commitment or discretion over progressing the initiative.

The Treasury assessments focus on the merits of the initiatives as they stand. Once each of the BGA Ministerial groups has discussed the initiatives, Budget Ministers will consider options for prioritised packages across the BGA to fit into the available allowance. We are looking to develop packages of \$0-\$100 million in net terms.

Budget 2015 context

- The emphasis of Budget 2015 is to target children in material deprivation as well as continued focus on results and improving public sector performance.
- There are a large number of initiatives that have been submitted in Budget 2015. In total, there is around \$1.8 billion to \$2.1 billion a year of operating pressures, of which \$215 million to \$265 million are BGA-related initiatives.
- Funding all initiatives would require active reprioritisation, significant savings and/or revenue increases.

- Within this workstream, there are around \$40 million per annum of operating pressures. To support a discussion on priorities we outline some suggested discussion points on options and key trade-offs below.

Suggested issues for discussion

The Treasury would prioritise the initiatives to:

- **increase funding for R&D grants** as this has the clearest link to improving business expenditure on R&D. [8]

- **collect more data about the performance of the science system.** This is likely to improve the performance of the system overtime. However, we recommend Ministers ask MBIE to reprioritise funding for tourism data in order to progress the initiative.
 - *Do Ministers want to commit additional funding now for R&D grants and use reprioritisation to fund better performance information?*
 - *Are there other innovation initiatives that Ministers consider to be a higher priority for new funding?*

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Vote	Initiative	Description	Opex sought (\$m)					Treasury assessment		
			2014/15	2015/16	2016/17	2017/18	2018/19	Value for money	Links to BGA	Degree of discretion
Science and Innovation	Funding for Research and Development Growth Grants	The Science and Innovation Policy Manifesto stated the intention to increase Business R&D grant funding. Grants increase productivity of the wider economy as the resulting knowledge or technology can be used by businesses to generate new industries, higher-value products and higher-skilled jobs.	-	20.000	20.000	20.000	20.000	Support. International evidence suggests positive growth benefits from government support for R&D, however evaluation of NZ scheme not available until 2017. Funding will address cost pressures from higher than expected demand for R&D Growth Grants. [8]	The R&D Growth Grants directly contribute to the BGA innovation goal of doubling business expenditure on R&D.	Manifesto commitment to increase funding for the R&D grant programme. Size and timing of funding is flexible.
Science and Innovation	State of the Science and Innovation System report and data collection programme	Develop a strong information and monitoring system to provide a solid base for assessing the impact of the government's investment in research and science over the long term, setting policy priorities, prioritising funding across the science and research system, and improving accountability.	-	0.680	0.900	0.780	0.680	Support, with funding reprioritised from data collection activities in Vote Tourism. This data would provide better information to inform policy decisions and improve the impact and value for money of government investment in science and innovation through developing strong information and monitoring system.	This initiative contributes indirectly to getting more value from science investments. The information provided will improve the underpinning information on the government's investment in research and science.	Discretionary.
Science and Innovation	Science in Society Project Implementation	Implementation and scaling up of new initiatives within A Nation of Curious Minds, a national strategic plan for Science in Society (the plan). This includes the Contestable Fund for Harder to reach Audiences and the Participatory Science Platform which are being piloted in 2015.	-	[8]				Do not support. Results of the pilots are not yet available so there is little information about the success and future resourcing requirements of these actions. Existing work already underway will maintain the momentum of the plan e.g. engaging the public in implementing the National Science Challenges.	This initiative contains action to encourage and enable better engagement with science and technology across New Zealand society. This indirectly links to the BGA priority of Boosting STEM Skills.	Discretionary, noting Cabinet has agreed to implement actions in the 'National Strategic Plan for Science in Society' as launched in July 2014.
Science and Innovation	Attracting Multi-National Research and Development Centres	Raising business R&D levels to 1% of GDP will require us to attract multi-national companies to set up R&D centres in New Zealand. This initiative will establish a unit to market NZ's R&D capabilities and pursue specific opportunities to attract R&D centres.	-	[8]				Defer. More information is needed on the impact and how the initiative is distinct from existing resources. This bid is based on non-specific costings and is not well integrated into existing FDI attraction activities e.g. NZTE, which may influence resourcing requirements.	No clear links.	Discretionary
Science and Innovation	Funding for Regional Research Institutes	Establish a fund to develop two new independent regional research institutes to be co-funded by industry and which explicitly service regional economies.	-	-	[9]			Defer. More investigation required prior to funding commitment. Engagement with regional players could test the level of industry demand for establishment of regional science institutes, and why such institutes are not happening already.	If established correctly these institutes could contribute to the BGA goal of doubling business expenditure on R&D.	Discretionary: pre-election commitment was to " <i>Investigate Regional Science Institutes</i> "
Statistics	Financial Flows and Balance Sheet Statistics	Completing New Zealand's set of National Accounts to inform policy around wealth and financial system risks.		1.150	1.350	1.400	1.850	Support by asking user agencies to fund within baselines. New Zealand is the only OECD country which does not produce a full set of balance sheet statistics. The information would help illustrate the structure of the economy, explicitly showing the links between the real and financial economies.	N/A	Discretionary