



COVERSHEET

Minister	Hon Dr Megan Woods	Portfolio	Research, Science and Innovation
Title of Cabinet paper	Research and Development Loan Scheme: Implementation Matters	Date to be published	21 September 2020

List of documents that have been proactively released

Date	Title	Author
5 August 2020	<i>Research and Development Loan Scheme: Implementation Matters</i>	<i>Office of the Minister of Research, Science and Innovation</i>
5 August 2020	<i>Cabinet minute DEV-20-MIN-0161</i>	<i>Cabinet Office</i>
17 July 2020	<i>R&D loan scheme implementation and draft Cabinet paper</i>	<i>MBIE</i>

Information redacted

YES / NO

Any information redacted in this document is redacted in accordance with MBIE's policy on Proactive Release and is labelled with the reason for redaction. This may include information that would be redacted if this information was requested under Official Information Act 1982. Where this is the case, the reasons for withholding information are listed below. Where information has been withheld, no public interest has been identified that would outweigh the reasons for withholding it.

Some information has been withheld for the reasons of:

- Privacy of natural persons
- Free and frank advice



Cabinet Economic Development Committee

Minute of Decision

This document contains information for the New Zealand Cabinet. It must be treated in confidence and handled in accordance with any security classification, or other endorsement. The information can only be released, including under the Official Information Act 1982, by persons with the appropriate authority.

Research and Development Loan Scheme: Implementation Matters

Portfolio **Research, Science and Innovation**

On 5 August 2020, the Cabinet Economic Development Committee (DEV), having been authorised by Cabinet to have Power to Act [CAB-20-MIN-0372]:

Background

- 1 **noted** that on 11 May 2020, Cabinet approved \$150 million in funding to establish the Research and Development (R&D) loan scheme [CAB-20-MIN-0219];
- 2 **noted** that on 3 June 2020, DEV agreed to introduce the R&D loan scheme and to the broad design parameters for the scheme [DEV-20-MIN-0095];

New appropriations for the initial fair value write-down and subsequent impairment of the loans

- 3 **noted** that officials have determined that the appropriate accounting treatment, consistent with the policy intent for the R&D loan scheme, is that Callaghan Innovation is acting as an agent and therefore, for financial reporting purposes they record only revenue and expenses related to their administration activity;
- 4 **noted** that, as a result of paragraph 3 above, the Ministry of Business, Innovation and Employment, acting on behalf of the Crown, will record the actual lending transactions associated with the loan scheme within its non-departmental accounts;
- 5 **noted** that a new appropriation is needed to record the initial fair value write-down of loans granted through the R&D loan scheme;
- 6 **noted** that the Minister of Finance and the Minister of Research, Science and Innovation have agreed to add the following category to the multi-category appropriation 'Research, Science and Innovation: Callaghan Innovation - Operations MCA':

Title	Type	Scope
R&D short term loan scheme initial fair value write-down	Non-departmental Other Expense	This category is limited to the initial fair value write-down of loans granted through the short-term research and development (R&D) loan scheme.

7 **approved** the following changes to appropriations to provide for the R&D loan scheme fair value write-down, with a corresponding impact on the operating balance, with no impact on core Crown debt:

Vote Business Science and Innovation Minister of Research, Science and Innovation	(\$m) – increase/(decrease)				
	2020/21	2021/22	2022/23	2023/24	2024/25 & Outyears
Multi-Category Expenses and Capital Expenditure: Research, Science and Innovation: Callaghan Innovation - Operations MCA Non-departmental Other Expense: R&D short term loan scheme initial fair value write-down	90.000	-	-	-	-
Total	90.000	-	-	-	-

8 **noted** that a new appropriation is needed to incur expenses for any subsequent impairment of loans granted through the R&D loan scheme;

9 **noted** that the Minister of Finance and the Minister of Research, Science and Innovation have agreed to add the following category to the multi-category appropriation ‘Research, Science and Innovation: Callaghan Innovation - Operations MCA’:

Title	Type	Scope
R&D short term loan scheme subsequent impairment of loans	Non-departmental Other Expense	This category is limited to the subsequent impairment of loans granted through the short-term research and development (R&D) loan scheme, including write-downs and write-offs.

10 **approved** the following changes to appropriations to provide for the R&D loan scheme subsequent impairment of loans, with a corresponding impact on the operating balance, with no impact on core Crown debt:

Vote Business Science and Innovation Minister of Research, Science and Innovation	(\$m) – increase/(decrease)				
	2020/21	2021/22	2022/23	2023/24	2024/25 & Outyears
Multi-Category Expenses and Capital Expenditure: Research, Science and Innovation: Callaghan Innovation Operations – MCA Non-departmental Other Expense: R&D short term loan scheme subsequent impairment of loans	20.000	-	-	-	-
Total	20.000	-	-	-	-

Change to existing capital appropriation scope statement

11 **noted** that the scope statement for the existing capital appropriation named ‘Research, Science and Innovation: Callaghan Innovation – Operations MCA: Short-term Research and Development Loan Scheme’, contains an error describing the capital to be disbursed as loans as ‘loans to Callaghan Innovation’;

- 12 **agreed** to amend the scope statement to the following ‘This category is limited to the Crown’s investment to support a short-term scheme that provides financial assistance by way of loans to businesses undertaking research and development’;

Transfer to provide for the costs of administering the R&D loan scheme

- 13 **approved** the following fiscally neutral adjustment to provide for the operating costs of the R&D loan scheme, with no impact on the operating balance and/or net core Crown debt:

Vote Business Science and Innovation Minister of Research, Science and Innovation	\$m – increase / (decrease)				
	2020/21	2021/22	2022/23	2023/24	2024/25 & Outyears
Multi-Category Expenses and Capital Expenditure: Research, Science and Innovation: Callaghan Innovation - Operations MCA					
Non-departmental Output Expense: Research and Development Services and Facilities for Business and Industry	(1.000)	-	-	-	-
Research, Science and Innovation: Callaghan Innovation - Operations MCA					
Non-departmental Output Expense: Building Business Innovation	1.000	-	-	-	-

- 14 **agreed** that the changes to appropriations in paragraphs 7, 10, 12 and 13 above be included in the 2020/21 Supplementary Estimates and that, in the interim, the increase be met from Imprest Supply;
- 15 **agreed** that the expenses incurred under paragraphs 7, 10 and 13 above be charged against the COVID Response and Recovery Fund (CRRF) established as part of Budget 2020;
- 16 **authorised** the Minister of Finance and the Minister of Research, Science and Innovation to approve further transfers from Callaghan Innovation’s CRRF funding to provide for the costs of administering the R&D loan scheme if needed;
- 17 **authorised** the Minister of Finance and the Minister of Research, Science and Innovation to increase the appropriation for the R&D short term loan scheme initial fair value write-down and the R&D short term loan scheme subsequent impairment of loans categories within the Research, Science and Innovation: Callaghan - Operations MCA;
- 18 **authorised** the Minister of Finance and the Minister of Research, Science and Innovation to set up subsequent appropriations for fair value adjustments if needed.

Janine Harvey
Committee Secretary

Present: (see over)

Present:

Rt Hon Winston Peters
Hon Kelvin Davis
Hon Grant Robertson (Chair)
Hon Phil Twyford
Hon Dr Megan Woods
Hon David Parker
Hon Stuart Nash
Hon Jenny Salesa
Hon Damien O'Connor
Hon Kris Faafoi
Hon Shane Jones
Hon Willie Jackson
Hon James Shaw
Hon Eugenie Sage

Officials present from:

Office of the Prime Minister
Officials Committee for DEV