



BRIEFING

Science, Innovation and Technology portfolio Budget 24 update

Date:	15 April 2024	Priority:	Urgent
Security classification:	Budget - Sensitive	Tracking number:	2324-3000

Action sought		
	Action sought	Deadline
Hon Judith Collins KC MP Minister of Science, Innovation and Technology	Note there is no clear pathway for MBIE to include the transfers in Budget 24. Agree ask the Minister of Finance, as a matter of urgency, to include the transfers within Budget 24.	16 April 2024

Contact for telephone discussion (if required)			
Name	Position	Telephone	1st contact
Lee Robinson	Policy Director, Future Research System	Privacy of natural persons	✓
Privacy of natural persons	Policy Director, Science, Innovation and International	Privacy of natural persons	

The following departments/agencies have been consulted

Minister's office to complete:

- | | |
|---|--|
| <input type="checkbox"/> Approved | <input type="checkbox"/> Declined |
| <input type="checkbox"/> Noted | <input type="checkbox"/> Needs change |
| <input type="checkbox"/> Seen | <input type="checkbox"/> Overtaken by Events |
| <input type="checkbox"/> See Minister's Notes | <input type="checkbox"/> Withdrawn |

Comments



BRIEFING

Science, Innovation and Technology portfolio: Budget 24

Date:	15 April 2024	Priority:	Urgent
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Purpose

To seek your agreement to ask the Minister of Finance, as a matter of urgency, to include the proposed fiscally neutral transfers, within Budget 24 to enable allow priority initiatives to continue beyond this financial year.

Recommended action

The Ministry of Business, Innovation and Employment recommends that you:

- a **Note** there is no clear pathway for MBIE to include the fiscally neutral transfers for priority initiatives in Budget 24. *Noted*
- b **Agree** to ask the Minister of Finance, as a matter of urgency, to include the proposed fiscally neutral transfers in Budget 24. *Agree / Disagree*
- c **Note** while you have the alternative of seeking Cabinet's agreement to the transfers outside of Budget 24, the delays will impact MBIE's ability to retain or rebuild lost capability associated with the initiatives. *Agree / Disagree*

Lee Robinson
Policy Director, Future Research System
Labour, Science and Enterprise, MBIE

15 / 04 / 2024

Hon Judith Collins KC MP
Minister of Science, Innovation and Technology

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Hon Nicola Willis
Minister of Finance

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Background

1. You have written to the Minister of Finance, seeking a meeting to discuss:
 - a. the planned evaluation to the Research and Development Tax Incentive, and
 - b. a proposal to reprioritise available funding within the science, innovation and technology (SI&T) portfolio, after savings, to support high priority initiatives facing funding cliffs.
2. This briefing addresses the second point. There is urgency associated with confirming on-going funding for those high priority initiatives:
 - a. Funding from most of the initiatives ends on 30 June 2024, wind-down activities have started, and capability is being lost.
 - b. The greater the delay in confirming ongoing funding, the greater the challenge and cost of retaining or rebuilding lost while contracts were winding down.
 - c. There is no clear pathway for MBIE to include the proposed transfers in Budget 24. The deadline for submitting information closed to departments last Thursday.

The initiatives

3. You are seeking the following fiscally neutral transfers within the Science, Innovation appropriations.

Initiative	2024/25	2025/26	2026/27	2027/28
Infectious diseases Platform – <small>Under negotiation</small>	-	14.00	14.00	14.00
Product Accelerator	0.80	0.80	0.80	0.80
MedTech Translator	2.70	2.70	2.70	2.70
HealthTech Activator	1.00	1.00	1.00	1.00
PM's Chief Science Advisor	0.50	0.50	0.50	0.50
Investment Management System (Pitau)	1.00	1.00	0.00	0.00
Resilience to Natures Challenges	10.00	10.00	10.00	10.00
Te Punaha Atea - Space Institute (Univ of Akl)	1.00	1.00	1.00	1.00
<i>To be reprioritised from National Science Challenges appropriation</i>				
Total	16.00	30.00	29.00	29.00

4. The initiatives align to Government priorities and have the potential to be announced as a good news story around other announcements linked to Budget 24.
5. More information about each initiative is provided at Annex 1. The financial recommendations to support the transfers are provided in Annex 2.
6. The time-limited nature of these initiatives reflects the nature of funding available at the time of investment; not the longer-term value proposition of the initiative.

A way forward

7. Given the urgent need to confirm ongoing funding well before contracts end on 30 June and the absence of a clear pathway for MBIE to include the transfers in Budget 24 you have the option of either:

- a. **Ringing** the Minister of Finance and asking her, as a matter of urgency, to include the fiscally neutral transfers for priority initiatives in Budget 24, or
 - b. **Seeking** Cabinet's agreement to the transfers outside of Budget 24. This would be unlikely to occur before mid-May. Your office will be able to confirm the timeframes for that process.
8. The first option is the most expedient, providing the greatest chance of retaining capability within the initiatives.
 9. The Science, Innovation and Technology appropriations are contributing around \$370 million over four years to the Budget 2024 savings package. Continued funding for the initiatives could be a good news story.
 10. The second option is slower, delaying our ability to provide contract holders with certainty about ongoing funding. The challenges of retaining or rebuilding capability are likely to be larger and more costly than experienced under the first option.
 11. Should the Minister of Finance **not** agree to your proposal, your only remaining option will be to pursue Cabinet's agreement outside of Budget 24.
 12. We recommend you pursue a conversation with the Minister of Finance. Treasury's preference, however, is that we work outside of the Budget process.

Next steps

13. Next steps will depend on your choice of option. We will either work with Treasury to follow-up, as necessary, decisions made by the Minister of Finance or start drafting a paper seeking Cabinet's agreement to the transfers.

Annexes

Annex One: Overview of initiatives.

Annex Two: Financial recommendations

Annex One: Overview of initiatives with time-limited funding

Initiative	What it does and implications of no continued funding
Infectious diseases Platform – <small>Under negotiation</small>	Builds and coordinates domestic research capability in infectious diseases and improves NZ's preparedness for future pandemics. Current funding ends in 2024/25 and if continued funding cannot be secured, the research will need to stop.
New Zealand Product Accelerator	Connects manufacturing businesses to leading materials academics to rapidly address industry research needs. Recent decision by University of Auckland to remove provision of overhead costs means that the entity may need to reduce staff and limit number of businesses it can work with.
MedTech Translator	Develops a quality pipeline of early-stage medical devices and digital health technology opportunities and supports the development of translation capability and capacity necessary to grow the MedTech sector. Will end without ongoing funding, which will impact further growth of our health and MedTech industries.
HealthTech Activator	Provides a coordinated, ecosystem-wide support mechanism that delivers products and programmes designed to improve the commercialisation of HealthTech and growth of emerging HealthTech companies. Will end without ongoing funding, which will impact further growth of our health and MedTech industries.
Te Punaha Atea - Space Institute	The University of Auckland's Institute for applied research in space science, engineering, and educational activities that shape the next generation of scientists and engineers. Funding from entrepreneurial university fund is ending.
PM's Chief Science Advisor	Provision of independent science advice to the Prime Minister, based in DPMC, but co-funded by MBIE. Would be funded in ad hoc manner, year to year, as pockets of potential savings arise, providing little certainty of funding for office of the PM's Chief Science Advisor.
Investment Management System (Pitau)	MBIE's science investment administration platform. Supports applications, assessment, contracting, reporting and monitoring or science investments. Cannot be funded within current budget without fiscally neutral transfer.
Resilience to Nature's Challenges	Research activities to enhance New Zealand's resilience to natural disasters. Provides research and research-related coordination, community outreach and surge capacity to respond to natural disasters. Previously funded as a National Science Challenge. Opportunity to re-configure as long-term strategic science investment. Activities will stop when funding ends and impact science capacity to anticipate, plan for, and respond to natural disasters.

Annex 2: Financial recommendations

- 1 **approve** the reprioritisation of funding as set out below to allow initiatives that are facing an end in their current funding agreements, with no impact on the operating balance and/or net core Crown debt over the forecast period:

Vote Business Science and Innovation Minister of Science, Innovation and Technology	\$ million – increase / (decrease)				
	2024/25	2025/26	2026/27	2027/28	2028/29 & Outyears
Multi-Category Expenses and Capital Expenditure: Research, Science and Innovation: Strategic Science Investment Fund MCA Non-Departmental Output Expense: Strategic Science Investment Fund - Programmes	10.653	38.773	47.157	24.653	24.653
Multi-Category Expenses and Capital Expenditure: Research, Science and Innovation: Talent and Science Promotion MCA Non-Departmental Output Expense: Science in Society	0.500	0.500	0.500	0.500	0.500
Non-departmental output expense Research, Science and Innovation: Partnered Research Fund	2.700	2.700	2.700	2.700	2.700
Multi-Category Expenses and Capital Expenditure: Research, Science and Innovation: Contract Management MCA Departmental Output Expenses: Science and Innovation Contract Management	1.000	1.000	-	-	-
Multi-Category Expenses and Capital Expenditure: Research, Science and Innovation: Callaghan Innovation - Operations MCA	0.800	0.800	0.800	0.800	0.800

Non-Departmental Output Expense: Research and Development Services and Facilities for Business and Industry					
Multi-Category Expenses and Capital Expenditure: Research, Science and Innovation: Callaghan Innovation - Operations MCA Non-Departmental Output Expense: Building Business Innovation	1.000	1.000	1.000	1.000	1.000
Non-departmental output expense Research, Science and Innovation: Strategic Science Investment Fund programmes	1.000	1.000	1.000	1.000	1.000
Non-departmental output expense Research, Science and Innovation: National Science Challenges	(16.653)	(44.773)	(52.153)	(29.653)	(29.653)

2 **agree** that the proposed changes to appropriations above should be included in the 2024/25 Supplementary Estimates and that, in the interim, the increase be met from Imprest Supply.