



BRIEFING

Science, Innovation and Technology portfolio Budget 24 update

Date:	21 March 2024	Priority:	Medium
Security classification:	Sensitive	Tracking number:	2324-2684

Action sought		
	Action sought	Deadline
Hon Judith Collins KC MP Minister of Science, Innovation and Technology	<p>Agree to talk to the Minister of Finance about:</p> <ul style="list-style-type: none"> her recent question around the implications of the end of funding contracts for the National Science Challenges reprioritising funding to support a set of high priority initiatives with time limited funding. 	28 March 2024

Contact for telephone discussion (if required)			
Name	Position	Telephone	1st contact
Robyn Henderson	Acting General Manager, Science, Innovation and International	Privacy of natural persons	✓

The following departments/agencies have been consulted
N/A

Minister's office to complete:

Approved

Declined

Noted

Needs change

Seen

Overtaken by Events

See Minister's Notes

Withdrawn

Comments



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Purpose

To provide an update on the current savings process being progressed as part of Budget 2024, and in particular:

- provide information around the National Science Challenges and the end of funding in June 2024, noting a recent question on this from the Minister of Finance
- seek your approval to discuss with the Minister of Finance proposed changes in SI&T appropriations that would reallocate existing funding towards high priority initiatives that have time-limited funding arrangements.

We recommend that you discuss both of these topics with the Minister of Finance at the soonest opportunity.

Recommended action

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

- Note** that a savings of \$369 million over four years has been submitted into the Initial Baseline Exercise from the Science, Innovation and Technology (SI&T) portfolio and that a bilateral meeting between the Minister of Finance and the Associate Minister of Finance was held earlier this week on this.

Noted
- Note** the Minister of Finance raised some questions around the likely implications of the National Science Challenges ending on 30 June 2024.

Noted
- Note** the potential to reprioritise funding to support a set of initiatives that align with your priorities but have time-limited funding that will end shortly.

Noted
- Agree** to talk to the Minister of Finance about these two topics: the likely implications of the National Science Challenges ending; and the reprioritisation proposals to identify the best way to get them considered for approval.

Agree / Disagree

- e **Note** the information on uncommitted funding in the SI&T portfolio we have provided to the Lead Reviewer for MBIE's Rapid Independent Review.

Noted



Robyn Henderson
Acting General Manager, SII
Labour, Science and Enterprise, MBIE

21 / 03 / 2024

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

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Background

1. In the recent Initial Baseline Exercise, the Science, Innovation and Technology (SI&T) portfolio provided savings equal to 7.5% of the eligible baseline, or \$369.2 million over four years (\$85.6 million per annum into out-years) to feed into Budget 2024.
2. This follows a savings in the Rapid Savings Exercise led by the previous Government in August 2023, comprising \$115.3 million over four years.
3. On 8 March 2024, the Minister of Finance instigated an Independent Rapid Review of the Ministry of Business, Innovation and Employment (MBIE). We have provided factual information on the uncommitted funding within the portfolio to the Lead Reviewer (refer paragraphs 19-21 and Annex 3).
4. The current situation around savings processes is as follows:

Rapid savings exercise July-August 2023	Initial Baseline Exercise January – February 2024	Independent Rapid Review current
\$115.28m (over 4 yrs)	\$369.18m (over 4 yrs)	TBC
Locked in - announced 31 August 2023	Understood to be confirmed via Bilaterals but not yet considered by Cabinet	Details yet to be proposed

A bilateral meeting was held this week between the Minister of Finance and Minister Seymour

5. The Minister of Finance met with the Associate Minister of Finance (Minister Seymour) earlier this week to discuss MBIE's recommended savings options from the Initial Baseline Exercise. MBIE's Iain Cossar was present given his seconded role as an Advisor to Minister Seymour. During this meeting the Minister of Finance raised a question around the implications of ending funding for the National Science Challenges, and whether there would be serious impacts to the financial sustainability of Crown Research Institutes (CRIs).
6. Eleven National Science Challenges have been in place since 2014. These Challenges were funded for a ten-year period (to a total of just over \$680 million), with a clear expectation from the outset that it would be a finite funding arrangement. The funding details for each Challenge are attached in Annex one. Over 350 organisations received National Science Challenge-related funding in 2023/24 (from around 20 at the start of the programme). In the 2022/23 financial year, nearly 18% of the funding went to CRIs.
7. Iain Cossar advised Ministers during this bilateral meeting that while the ending of funding for National Science Challenges is unwelcome in the sector, given ongoing underfunding in the research system, it is consistent with messaging from the Ministry that the funding contracts would come to an end. There will be some

impacts to funded parties but we consider that these will be manageable from the view point of the system as a whole.

8. While the finite nature of the funding has been clearly signalled, we understand that many funded organisations have made assumptions around a likelihood of continued support. This is to a large extent due to the work led under Te Ara Paerangi, around proposed new National Research Priorities.
9. We have taken numerous opportunities to ensure that there has been clear messaging from MBIE that the Challenges will not continue and that further funding cannot be relied upon. Nevertheless, the removal of this funding from the research system will have some impacts, particularly where this is combined with reductions in other SI&T funding streams (e.g. the contestable funds). The end in funding may contribute to FTE reductions in CRIs which we understand are ongoing due to a range of financial pressures (including general inflationary pressures and reduced revenue from commercial sources and other government agencies).
10. Iain Cossar's messages to the bilateral Ministers were consistent with the advice we provided you in January this year around the Initial Baseline Exercise
11. We have completed a review with other government agencies to identify critical functions and activities of National Science Challenges, in light of the funding coming to an end. The purpose of this was to explore how Challenge functions or activities contribute to Government responsibilities; and understand how the absence of funding for these functions or activities would materially impact the delivery of core Government responsibilities.
12. This process concluded that there are some critical functions and activities supported by the *Resilience to Natures Challenges* National Science Challenge and that would not be otherwise supported by departments. For this reason, continued funding for this research is included within the list of proposed reprioritised initiatives discussed below in paragraph 14.
13. We recommend that if you have an opportunity to talk to the Minister of Finance, you could provide clarity around:
 - National Science Challenges were always to be funded for a finite period, therefore funded organisations should not be relying on continued funding.
 - The reduction in funding will compound pressures the research organisations are already navigating, such as inflationary pressures and reduced revenue from other sources (commercial and other departments).
 - However, in light of the need to find savings from the portfolio, MBIE considers that the impact will be manageable from a whole-of-system point of view.

Proposal to reprioritise to high priority SI&T initiatives that are about to run out of funding

14. In our review of the appropriations earlier this year, we identified a number of initiatives that have time-limited funding arrangements. For some of these, it is appropriate that funding will end. However, there is a subset which we discussed with you in January as being consistent with your portfolio priorities (refer briefings 2324-1664 and 2324-1784).

15. This list includes the following initiatives:

Initiative	What it does	Funding needs
Infectious diseases Platform – <small>Under negotiation</small>	Builds and coordinates domestic research capability in infectious diseases and improves NZ's preparedness for future pandemics	\$14m per annum from 2025/26
Product Accelerator	Connects manufacturing businesses to leading materials academics to rapidly address industry research needs	\$0.8m per annum
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	\$2.7m per annum
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	\$0.5m per annum
Te Punaha Atea - Space Institute (this is new, wasn't included in the earlier briefing)	The University of Auckland Institute for applied research in space science, engineering, and educational activities that shape the next generation of scientists and engineers	\$1.0m per annum
PM's Chief Science Advisor	Provision of independent science advice to the Prime Minister, based in DPMC	\$0.5m per annum
Investment Management System (Pitau) (new, was not in earlier briefing)	MBIE's science investment administration platform	\$2.0m in total
Resilience to Natures Challenges (new, was not in earlier briefing but discussed above)	Research activities to enhance New Zealand's resilience to natural disasters.	\$10m per annum

16. The Initial Baseline Exercise for the SI&T portfolio includes a reduction in the appropriation which is currently supporting the National Science Challenges. While the Challenges end in June 2024, the appropriation is baselined into outyears. Some funding remains in it once the proposed reduction is finalised in the Budget process.

17. We propose that this is used to fund the high priority initiatives in the table above. Annex two includes an outline of this approach.

18. We recommend that you talk to the Minister of Finance about these reprioritisation proposals to identify the process for them to be considered and approved. We have not raised these with Treasury as there is a risk that the funding involved would be taken into the savings process.

Information has been provided to the Lead Reviewer for MBIE in the current Independent Rapid Review

19. As you are aware (briefing 2324-2549 refers) we have been asked to provide information to the Treasury Independent Reviewer on initiatives put forward by MBIE portfolio Ministers as part of the baseline savings exercise for Budget 2024.
20. The material developed and provided to the Reviewer is in Annex three. The information is factual rather than advice, and provides an initial indication of uncommitted and uncontracted funding that may be available for reprioritisation. Some of the funds are administered by Crown entities (e.g. Callaghan Innovation). A more accurate picture of amounts available for reprioritisation can only be determined once we have consulted with those entities.
21. The Minister of Finance has asked for a progress report by the middle of this month and a final report by 3 April. We will provide you with updates as the work progresses.

Next steps

22. Our suggested next steps are that you seek to meet with the Minister of Finance to:
 - Seek approval to your reprioritisation proposals, outlined in paragraph 13, which follow the submission of a 7.5% saving across the eligible baseline (equal to \$369m over 4 years) (plus the \$115 million provided in last year's saving process)
 - Clarify impacts arising from the end of funding to the National Science Challenges, particularly in relation to CRIs.
23. Should you both agree following your discussion, we will work with Treasury to feed the reprioritisation proposals into the Budget process.

Annexes

Annex One: List of National Science Challenges and funded organisations

Annex Two: Outline of initiatives to seek reprioritised funding before the end of 2023/24 financial year

Annex Three: Information provided to Lead Reviewer for MBIE

Annex One: List of National Science Challenges and funded organisations

SI&T Portfolio – Reprioritisation plans as agreed with Minister Collins in January 2024 (briefing MBIE)

These follow offered savings of 7.5% across the portfolio (totalling \$369.18m over 4 yrs)

This list includes initiatives that are facing the end of existing funding arrangements but are agreed to align with current govt priorities.

Funding needs	2024/25	2025/26	2026/27	2027/28 & outyears	Requires a transfer of \$ to the relevant appropriation
Infectious diseases Platform – <small>Under negotiation</small>	-	14.0	14.0	14.0	SSIF MCA Programmes
Product Accelerator	0.80	0.80	0.80	0.80	Callaghan Innovation - Operations (M84) (A17) - Research and Development Services and Facilities for Business and Industry
MedTech Translator	2.70	2.70	2.70	2.70	Research, Science and Innovation: Partnered Research Fund (M84) (A17)
HealthTech Activator	0.50	0.50	0.50	0.50	Callaghan Innovation - Operations (M84) (A17) - Building Business Innovation
PM's Chief Science Advisor	0.50	0.50	0.50	0.50	Research, Science and Innovation: Talent and Science Promotion MCA - Science in Society
Investment Management System (Pitau)	1.00	1.00	0.00	0.00	Dept – Contract Management MCA
Resilience to Natures Challenges	10.00	10.00	10.00	10.00	SSIF MCA Programmes
Te Punaha Atea - Space Institute (Uni of Akl)	1.00	1.00	1.00	1.00	? TBC
Total to be reprioritised	15.50	29.50	28.50	28.50	
NSC appropriation (with no changes)	79.15	79.15	79.15	79.15	
Contribution to 7.5% savings	62.50	34.38	27.00	49.50	
Remaining balance in NSC post 7.5%	16.50	44.62	52.00	29.50	
Remaining balance post reprioritisation	1.00	15.12	23.50	0.50	Transfer to SSIF MCA Programme

Annex Two: National Science Challenge Funding by Challenge

The National Science Challenges were established in 2014 and aim to tackle the biggest science-based issues and opportunities facing New Zealand. The Challenges bring together the country's top scientists to work collaboratively across disciplines, institutions and borders to achieve their objectives.

National Science Challenge	Funding over duration of Challenge
A Better Start - E Tipu e Rea	\$34.7 million
Ageing Well - Kia eke kairangi ki te taikaumātutanga	\$34.9 million
Building Better Homes, Towns and Cities - Ko ngā wā kāinga hei whakamāhorahora	\$47.9 million
Healthier Lives - He Oranga Hauora	\$31.3 million
High-Value Nutrition - Ko Ngā Kai Whai Painga	\$83.8 million
New Zealand's Biological Heritage - Ngā Koiora Tuku Iholho	\$63.7 million
Our Land and Water - Toitū te Whenua, Toiora te Wai	\$96.9 million
Resilience to Nature's Challenges - Kia manawaroa - Ngā Ākina o Te Ao Tūroa	\$59.4 million
Science for Technological Innovation - Kia kotahi mai - Te Ao Pūtaiao me Te Ao Hangarau	\$106 million
Sustainable Seas - Ko ngā moana whakauka	\$71.1 million
The Deep South - Te Kōmata o Te Tonga	\$51.1 million

National Science Challenge Funding by Organisation Type (2022/2023 Financial Year)

Crown Research Institutes	\$ 15 million
New Zealand Universities	\$ 36 million
Other Organisations (including Independent Research Organisations, Consultancies, and Impact Partners)	\$ 33 million

Annex 3: Information provided to MBIE’s Independent Lead Reviewer

Separate attachment

Appropriation	Appropriation 2023/24 \$m	Fund/scheme/contract	Unit of analysis*	2024/25 \$m	2025/26 \$m	2026/27 \$m	2027/28 \$m	Total	Confidence in figs
Endeavour Fund	248.2	Research Programmes and Smart Ideas	Fund	0.0	42.8	99.8	156.8	299.3	High
Health Research Fund	125.0	Health Research	Fund	33.7	72.0	104.5	111.7	321.9	Estimate
Marsden Fund	78.5	Marsden	Fund	19.6	39.3	58.9	75.5	193.3	Estimate
Catalyst Fund	36.5	Strategic	Scheme	26.3	27.3	24.8	7.1	85.4	High
	1.4	Influencing	Scheme	0.3	1.0	0.8	0.8	2.9	High
	0.8	Promoting leaders	Scheme	0.4	0.8	0.8	0.8	2.8	Estimate
	3.0	Seeding	Scheme	1.6	3.2	3.2	3.2	11.3	Estimate
Talent and science promotion	17.7	Fellowships - Fulbright	Scheme	0.7	0.7	0.7	0.7	2.6	Low
		Fellowships - Tawhia te Mana	Scheme	8.9	13.3	17.8	27.4	67.3	Low
	0.0	Applied doctorates	Scheme	1.8	3.4	5.1	5.1	15.3	High
	6.0	Vision Matauranga Capability - MBIE	Scheme	2.0	3.6	4.0	4.0	13.6	High
		Vision Matauranga Capability - HRC	Scheme	0.7	1.3	2.0	2.0	5.9	Estimate
	10.5	Science in society - PM's prizes	Scheme	0.0	0.0	0.0	1.1	1.1	Low
		Science in society - Sci media centre	Scheme	0.0	0.0	0.0	0.7	0.7	Low
		Science in society - Sci teaching leaders	Scheme	0.0	0.0	0.0	2.2	2.2	Low
		Science in society - Learning hubs	Scheme	0.0	1.2	1.2	1.2	3.6	Low
2.9	Royal Society	Contract	2.9	2.9	2.9	2.9	11.6	High	
1.3	Expand impact of VM - Talent	Scheme	4.0	4.0	4.0	4.0	16.0	High	
Strategic Science Investment Fund Programmes	278.8	Expand impact of VM - Research	Scheme	6.0	6.0	6.0	6.0	24.0	Medium
		Advanced Energy	Contract	0.0	0.0	0.0	7.5	7.5	High
		Data Platform	Contract	0.0	0.0	2.3	7.0	9.3	High
		NZ Agriculture greenhouse	Contract	0.0	3.0	3.0	3.0	9.0	High
		Geohazard monitoring	Contract	0.0	0.0	0.0	6.0	6.0	High
		CRI platforms	Scheme	0.0	0.0	207.8	190.0	397.8	High
		IRO platforms	Scheme	0.0	0.0	5.9	5.9	11.9	High
Strategic Science Investment Fund Infrastructure	68.4	Genomics	Contract	5.0	5.0	5.0	5.0	20.0	High
		MethaneSat	Contract	2.1	2.1	2.2	2.3	8.6	High
		Synchrotron access	Contract	0.0	0.0	1.4	1.4	2.8	High
		Research vessel	Contract	0.0	0.0	0.0	9.1	9.1	High
		Databases & collections	Contract	0.0	0.0	0.0	22.1	22.1	High
		REANNZ	Contract	6.8	6.8	0.0	0.0	13.5	High
		NESI	Contract	7.2	7.2	0.0	0.0	14.4	High
		NESI and REANNZ	Contract	0.0	0.0	13.9	13.9	27.9	High
National Science Challenges	64.3	MYA ends 30 June 2024	Scheme	16.7	44.8	52.2	29.7	143.2	High
Partnered Research	12.3	PreSeed Accelerator	Scheme	0.0	9.0	9.0	9.0	27.0	High
	4.3	Commercialisation Partner Network	Scheme	0.0	4.3	4.3	4.3	12.8	High
	2.2	EnviroLink	Scheme	1.8	1.8	1.8	1.8	7.2	
Funding for or administered by Callaghan Innovation	112.5	New to R&D MYA (2023/24 to 2027/28)	Scheme	94.4				94.4	Estimate
	17.5	Student grants (baselined)	Scheme	12.0	15.0	15.0	15.0	57.0	Estimate
	76.8	Trailblazer grants MYA (2023/24 to 2027/28)	Scheme	50.4		0.0	0.0	50.4	Estimate
	32.8	Callaghan - R&D services	Funding agreement	32.8	32.8	32.8	32.8	131.2	High
	35.1	Building business innovation	Funding agreement	33.3	32.9	37.9	38.4	142.5	High
	17.9	Callaghan - programme mgmt	Funding agreement	17.9	17.9	7.9	7.9	51.7	High
	9.0	Callaghan - measurement stds	Funding agreement	9.0	9.0	9.0	9.0	35.9	High

Research contract management	5.9	Health Research Council	Funding agreement	5.9	5.9	5.9	5.9	23.6	High
	4.0	Royal Society NZ	Funding agreement	4.0	4.0	4.0	0.0	12.0	High
	0.1	Fulbright	Funding agreement	0.1	0.1	0.1	0.1	0.6	High
			TOTAL	308.1	232.7	457.4	429.4	1,434.2	

*Key: