



## BRIEFING

### Budget 25 update

<b>Date:</b>	14 February 2025	<b>Priority:</b>	Medium
<b>Security classification:</b>	Budget - Sensitive	<b>Tracking number:</b>	0009073

Action sought		
	Action sought	Deadline
Hon Dr Shane Reti <b>Minister of Science, Innovation and Technology</b>	<p><b>Note</b> the approach to Budget 25, including priorities for the science, innovation, and technology (SI&amp;T) portfolio.</p> <p><b>Note</b> that you will be having a bilateral meeting with the Minister of Finance in early March and this will be an opportunity:</p> <ul style="list-style-type: none"><li>for early feedback on the status of the public research organisations, advanced technology research organisation and policy capability initiatives as part of Budget 25.</li><li>for agreement to a pre-Budget announcement for the Advanced Technology platform initiative.</li></ul>	21 February 2025

Contact for telephone discussion (if required)			
Name	Position	Telephone	1st contact
Lee Robinson	Policy Director, Science and Space	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☐ Withdrawn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



# BRIEFING

## Budget 2025 update

Date:	14 February 2025	Priority:	Medium
Security classification:	Budget - Sensitive	Tracking number:	BRIEFING-REQ-0009073

## Purpose

To provide an update on the Budget 25 approach for the SI&T portfolio. This briefing also requests seeks your agreement to engage the Minister of Finance to seek:

- early feedback on the status of the Public Research Organisation, Advanced Technology Research Organisation, Callaghan disestablishment, and SI&T policy capability initiatives;
- agreement to a pre-Budget announcement for the Advanced Technology platform initiative.

## Recommended action

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

- a **Note** the proposed Budget 25 package for the Science, Innovation and Technology portfolio.  
*Noted*
- b **Note** the importance of securing early feedback on the Public Research Organisation, Advanced Technology Research Organisation, Callaghan disestablishment, and SI&T policy capability initiatives.  
*Noted*
- c **Agree** to discuss the package with the Minister of Finance, and seek:
- a. early feedback on the status of the Public Research Organisation, Advanced Technology Research Organisation, Callaghan disestablishment, and policy capability initiatives.  
*Agree / Disagree*
- b. agreement to announce the Advanced Technology platform initiative before Budget Day.  
*Agree / Disagree*

Lee Robinson  
**Policy Director, Science and Space**  
Labour, Science, and Enterprise, MBIE

14 / 02 / 2025

Hon Dr Shane Reti  
**Minister of Science, Innovation and Technology**

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## Background

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1. You have overall responsibility for SI&T expenditure in Vote Business, Science and Innovation totalling \$1,354 million in 2024/25, and Vote Revenue totalling \$556 million in 2024/25 for the R&D Tax Incentive.
2. You set the priorities for SI&T investments through various mechanisms such as terms of reference for funding bodies, investment plans for specific funds, and policy settings for investment processes.
3. The annual Budget round is particularly important in the SI&T portfolio because funding is one of the main tools you have for shaping the New Zealand SI&T system.
4. Annex One includes an overview of the different categories of funding, which include contestible funds for research, business R&D support, policy capability and other science services.

*We have returned funding in previous savings processes*

5. Two savings processes have reduced the level of funding available in the portfolio. The second, in Budget 24 resulted in a ongoing saving amount of \$85.6 million per year. The table below provides a summary of these savings:

Savings exercise	Savings (\$m over 4 years)
Rapid savings (announced August 2023)	115.28
Budget 2024	369.18
Reversal of Wellington Science City capital contingency in Budget 2024	533.5 0

6. The savings were drawn from a range of appropriations, including the appropriation previously funding the National Science Challenges, and the Strategic Science Investment Fund and the Marsden, Endeavour and Health Research funds.
7. While the savings were large, we sought to minimise the impact on specific organisations by phasing the above reductions. Phasing cannot, however, mitigate the overall impact of reducing funding for an already underfunded system and its capacity to deliver on New Zealand's economic growth aspirations.

*Scenarios have been submitted into the Budget 2025 process*

8. The previous Minister of Science, Innovation and Technology submitted a package of fiscally neutral initiatives for Budget 25, enabled via reprioritisation within existing appropriations. The package is largely comprised of initiatives to support the science, innovation and technology (SI&T) and gene technology reforms.
9. This briefing provides an overview of the package, highlighting the initiatives where early confirmation of funding from July 2025 is needed to enable those initiatives to proceed at current timelines.

## A Budget 25 package to enable the reform programme

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10. In the context of no additional funding being possible Confidential advice to Government the set of reforms announced by the Prime Minister last month can only be advanced via shifting our existing funding towards the agreed priorities. Therefore, we have submitted a proposed Budget 25 package for the SI&T portfolio to provide funding that will:
  - a. Establish a new Gene Technology regulatory and compliance regime.
  - b. Establish a Prime Minister's SI&T Advisory Council for setting priorities.
  - c. Merge the current seven CRIs into three Public Research Organisations to increase responsiveness to priorities.
  - d. Create an Advanced Technology Public Research Organisation to ensure New Zealand can capitalise on rapidly advancing technologies.
  - e. Establish Invest NZ as an entity to attract offshore investment.
  - f. Disestablish Callaghan Innovation and shift its more important functions to other parts of the system and prepare the Gracefield Innovation Quarter (GIQ) for commercial opportunities.
  - g. Ensure MBIE has sufficient policy capability to deliver on the reforms.
11. The package has involved identifying funding that is not committed to a third party in outyears (e.g. via a funding agreement), and drawing from appropriations that would have supported Callaghan Innovation. We have sought to ensure that existing contracts will not be broken as a result of these changes.
12. The package does, however, shift relatively significant amounts of funding between different parts of the system. For example, more funding will be spent on research into advanced technologies and attracting offshore investment into New Zealand and less money will be spent on contestable investments and the provision of R&D services for businesses.
13. In some instances we are able to transfer funding within similar parts of the system. Confidential advice to Government  
Confidential advice to Government  
Confidential advice to Government
14. Note that as a result of the recent Cabinet reshuffle, responsibility for InvestNZ is now sitting with the Minister of Trade and Investment. The proposed funding for Invest NZ (Annex Two refers) will see Confidential advice to Government over four years transferred out of the SI&T appropriations and into the Trade and Investment portfolio, baselined at Confidential advice to Government
15. An overview of the package and the funding shifts is provided in Annex Two.
16. While we believe this package is workable, we do note that the reprioritisation, coupled with the cost of change and economic downturn, will put considerable pressure on an already under-funded SI&T system.<sup>1</sup>
17. Costs relating to Callaghan disestablishment and GIQ are highly likely to change. The estimates provided to submit into The Treasury were calculated very early in the process of engaging with Callaghan management.

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<sup>1</sup> As noted in our Briefing to the Incoming Minister in January 2025, New Zealand's investment in R&D as a percentage of R&D is well under the OECD average – 1.45% compared to 2.7% in 2022 (measured before the funding changes in Budget 2024).

## We responded to a request for options from the Minister of Finance

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18. The Minister of Finance wrote to Ministers in November 2024 requesting that different savings options be presented as low, medium and high scenarios. The previous Minister of SI&T reached an agreement that, given the role of the SI&T system towards the Government's economic growth objectives, she would not provide savings options but would instead look at <sup>Confidential advice to Government</sup> reprioritisation <sup>Confidential advice to Government</sup>. MBIE submitted these to Treasury in December 2024.
19. <sup>Confidential advice to Government</sup> **The** <sup>Confidential advice to Government</sup> **is the preferred** <sup>Confidential advice to Government</sup> (represented in the annexes to this briefing).  
<sup>Confidential advice to Government</sup>
20. Note it is not yet clear whether any savings will be required from this portfolio as part of Budget 25. <sup>Confidential advice to Government</sup>  
<sup>Confidential advice to Government</sup> Ministers would need to revisit which parts of the reforms can progress and in what timeframe.

## Early confirmation required for some parts of the Budget package

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21. The work to deliver the SI&T reforms is moving at pace, but will slow if we are unable to provide early confirmation, ideally in March, that the required funding can be reprioritised as proposed for the following initiatives:
- a. **Public Research Organisations:** The Crown Research Institutes are working towards mergers as a preemptive step towards being constituted as Public Research Organisations. The Boards cannot fulfil their statutory obligation to complete financial due diligence until they have an assurance about future revenue from the Crown. <sup>Confidential</sup>  
<sup>Confidential advice to Government</sup>
  - b. **Advanced Technology Research Organisation:** As per our recent briefing (REQ-0009087), we have recommended an investment in an advanced technology platform via the Robinson Research Institute as a first step towards establishing the Advanced Technology Research Organisation. We cannot commit funding beyond 2024/25 without confirmation of the outcome of the SI&T reprioritisation Budget 25 package. This would delay your ability to announce the full investment beyond the current financial year.
  - c. **Callaghan Innovation:** similar to the CRIs, the Callaghan Innovation Board requires certainty of the funding available to support the costs arising from the disestablishment process, and to ensure appropriate funding available for continuing operation of GIQ. Ongoing uncertainty over the next few months will hamper progress in advancing this work, and potentially increase costs overall.
  - d. **Policy capability:** The SI&T Policy Capability appropriation has a significant funding shortfall caused by time-limited funding coming to an end and savings across all MBIE Policy appropriations removing scope for cross subsidisation. Without additional funding for 2025/26 onwards, MBIE SI&T would need to downsize by 15-20 FTEs across the different functions supported by this appropriation. The process to release those resources would need to start in March to downsize our FTE count to match the level of funding available for 2025/26 and onwards.

## Funding for the advanced technology investment

22. You received additional information about the proposed advanced technology platform investment in the Robinson Research Institute (BRIEFING-REQ-0009087).
23. A summary of funding for the research pillars of the Advanced Technology Public Research Organisation, which will include the investment in the Robinson Research Institute is provided in the table below.

	2024/25 \$000	2025/26 \$000	2026/27 \$000	2027/28 \$000	2028/29 \$000
Total research investment in advanced technologies via advanced technology research organisation	2,000	11,000	17,000	30,000	40,000
Profile of advanced technology platform investment <i>(subset of total investment in above line)</i>	2,000	10,000	10,000	10,000	10,000

24. Two million dollars is available to invest in an advanced technology platform this financial year. Funding from 2025/26 onwards is dependent on the reprioritisation proposed in the Budget 25 package.
25. The funding for the advanced technology research organisation will be drawn from a range of funds including: the Strategic Science Investment Fund (infrastructure and programmes), Callaghan Innovation operational funding, the New to R&D grant scheme, and the Endeavour, Marsden and Health Research funds.

### Announcement options

26. Your office has signalled your preference to announce the proposed investment in advanced technology, as led by the Robinson Research Institute.
27. Announcement options include:
- Pre-Budget announcement, full sum.** This is the preferred option but would require your office to seek the agreement of the Minister of Finance and Prime Minister's office to announce the full investment platform pre-Budget.
  - On or after Budget Day announcement.** This is the most straightforward approach, but the announcement may not receive the same profile amidst other Budget announcements.
  - Pre-Budget announcement, partial sum.** Announce the investment in terms of funding committed for 2024/25, with the total amount as a second announcement on or after Budget Day.
28. This investment has excellent alignment with the Government's new Going for Growth Plan. Therefore there is a strong case to announce early to support the release of that plan and its signals on the importance of innovation, technology and science.

## **Next steps**

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29. We recommend you engage the Minister of Finance to seek early feedback on the status of the funding for the four initiatives noted above. This meeting would also provide an opportunity to highlight the advantages of being able to announce the full advanced technology investment.
30. A suggested letter to the Minister of Finance is attached as Annex Three.
31. We are also ready to discuss the Budget 25 package for the SI&T portfolio in more detail at your convenience.

## **Annexes**

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Annex One: Overview of SI&T appropriations

Annex Two: Overview of SI&T Budget 25 package

Annex Three: Draft Letter to the Minister of Finance

## Annex One: Overview of SI&T appropriations

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A range of different types of appropriations (technical funding categories) are used to deliver SI&T funding, but it is more practical to think of the breakdown in terms of what it purchases. This is set out in the table below.

Item	2024/25 <sup>1</sup> \$million	Share of total %
Departmental expenditure (policy and contract management)	\$42.8	2.2%
Funding for Research	\$907.7	46.7%
Other non-departmental programmes	\$46.1	2.4%
Callaghan operational funding	\$85.8	4.4%
Support for Business R&D and Innovation	\$209.5	10.8%
Game Development Sector Rebate scheme	\$39.9	2.1%
<b>Total (operating expenditure)</b>	<b>\$1,331.8</b>	<b>68.5%</b>
Capital expenditure	\$22.4	1.2%
<b>Total (Vote BSI)</b>	<b>\$1,354.2</b>	<b>69.6%</b>
Research and Development Tax Incentive (in Vote Revenue)	\$590.5	30.4%
<b>Total</b>	<b>\$1,944.6</b>	<b>100.0%</b>

Notes:

1. Expenditure estimates include changes to accounts implemented at the 2024October Baseline Update.
2. R&D Tax Incentive expenditure is based on forecast for 2024/25 reported for the 2024/25 Half-Yearly Economic Fiscal Update (HYEFU).



## Annex Two: Overview of SI&T Budget 25 package

### Moving SI&T funding to ...

Initiative		2024/25 \$000	2025/26 \$000	2026/27 \$000	2027/28 \$000	2028/29 \$000	Funding sources
PM's SIT Advisory Council	Establishment	Confidential advice to Government	-	-	-	-	Wider reprioritisation SIT appropriations
	Operation	-	Confidential advice to Government				
Public research organisations	Bio-econ, earth sci, health and forensics (Operation)	Confidential advice to Government					
	Advanced technology (Establishment)						
	Advanced technology (Operation) + Project Tāwhaki (Space Portfolio)						
	Advanced technology (Pillars)						
Invest NZ (Trade and Investment portfolio)	Establishment	-	5,000	Confidential advice to Government			NZTE (\$11.15m) and Callaghan Innov operational appropriation
	Operation	-	16,000				
Callaghan Innovation	Disestablishment of Callaghan Innovation	29,462	23,033	-	-	-	
	Gracefield (Operations)	-	Confidential advice to Government				
	Confidential advice to Government	-					
Other	Gene technology (regulator & compliance regime)	1,500	6,700	5,880	5,440	4,850	Wider reprioritization
	SIT policy capability	-	Confidential advice to Government				
	Total costs	Confidential advice to Government					

## Moving SI&T funding from ...

SI&T Appropriation	2024/25 \$000s	2025/26 \$000s	2026/27 \$000s	2027/28 \$000s	2028/29 \$000s	Total	Impact
Strategic Science Investment Fund MCA - Infrastructure	Confidential advice to Government						
Strategic Science Investment Fund MCA - Programmes							
Partnered Research Fund							
Endeavour Fund							
Health Research Fund							
Marsden Fund							

SI&T Appropriation	2024/25 \$000s	2025/26 \$000s	2026/27 \$000s	2027/28 \$000s	2028/29 \$000s	Total	Impact
Contract Management MCA	Confidential advice to Government						
Callaghan Innovation - Operations MCA - Building Business Innovation							
Callaghan Innovation - Operations MCA – R&D Services and Facilities for Business Industry							
Public Sector Pay Adjustment							
Innovation Trailblazer Grant 2023-2028 (MYA Expense)							
New to R&D Grant 2023-2028 (MYA Expense)							
Technology Incubator Programme 2023-2027 (MYA Expense)							
Economic Development: Sector Strategies and Facilitation							
Economic Development: Support the Growth and Development of New Zealand Firms, Sectors and Regions MCA - International Business Growth Services							



Dear Minister

Congratulations on the release of the Going for Growth Plan last week. I am pleased to see the emphasis on the role of the science, innovation and technology system and I am sure that my portfolio can contribute significantly to our economic growth ambitions.

Since becoming the Minister of Science, Innovation and Technology last month, I have received advice on the input that has been provided as part of the Budget 2025 process. I understand that you will be working through submissions from the full set of portfolios and that final decisions are some weeks away. There are a small number of initiatives in my SI&T portfolio that I would appreciate an early conversation with you to test thinking on their status and how they contribute to the timely implementation of our reform of the science, innovation and technology system that was announced by the Prime Minister on 23 January 2025.

The first is a proposed investment to kick start the establishment of the new Advanced Technology Organisations. I have agreed to a recommendation from MBIE to provide funding to the Robinson Research Institute to develop a new advanced technology platform. This would enable early progress to be made on increasing the focus on advanced technology while parallel work is taken forward to establish the new organisations.

The funding for this was included in the Confidential advice to Government submitted to Treasury in December 2025. I am advised that it cannot be confirmed or announced until such time that the reprioritisation package is confirmed in the Budget 2025 process. Waiting until Budget Day will constrain our ability to announce this investment which I see is a valuable contribution to our Going for Growth Plan.

The second initiative is confirming the future funding source for the new Public Research Organisations (PROs). The Boards of the existing CRIs are undertaking the necessary financial due diligence they are required to do under the Companies Act to enable them to agree to a merger. Part of this is an assurance of ongoing Crown revenue. Confidential advice to Government

[REDACTED]

There is a similar situation with the Board of Callaghan Innovation who are managing the process of disestablishment and the costs associated with this. Ongoing uncertainty around future funding sources for this poses a risk to the timely conclusion of a disestablishment process.

You may also be aware that the reprioritisation package includes a proposal to move Confidential advice to Govt per annum from non-departmental appropriations to the departmental policy capability appropriation, to enable MBIE to retain the existing level of FTEs working in this portfolio. If this proposal is to be declined, I am advised that MBIE will need to commence an HR process in March to ensure that its level of staffing can match the amount of funding available as of 1 July. MBIE advises that a reduction in FTEs would also have implications on the ability to deliver on the reform work programme which would require discussion with Ministers.

I look forward to discussing this work you.

Yours sincerely

Hon Dr Shane Reti  
Minister of Science, Innovation and Technology