# Policy costing request—during the caretaker period for a general election

|  |  |
| --- | --- |
| **Name of policy:** | Innovation – Driving research and development through the Future Fund |
| Person requesting costing: | Senator Di Natale |
| Parliamentary party:  | Australian Greens |
| Date of request to cost the policy: | 28 June 2016 |
| *Note: This policy costing request and the response to this request will be made publicly available.* |
| Has a costing of this policy been requested under Section 29 of the Charter of Budget Honesty (ie from the Treasury or the Department of Finance)? | No |
| Details of the public release of this policy (Date, by whom and a reference to that release): | 21 May 2016, Senator Nick McKim<http://greens.org.au/innovation-nation> |
| **Description of policy** |
| Summary of policy (as applicable, please attach copies of relevant policy documents): | Australia’s Future Fund currently has around a 9% investment in innovation and venture capital, but next to none of this is invested in Australia. This policy would require 3% of Future Fund private equity investment to be dedicated to Australian innovation and impact investing |
| What is the purpose or intention of the policy? | To increase investment in Australian innovation, venture capital and impact investing.  |
| **What are the key assumptions that have been made in the policy, including:** |
| Is the policy part of a package?If yes, list the components and interactions with proposed or existing policies. | No |
| Where relevant, is funding for the policy to be demand driven or a capped amount? If a capped amount, are the costs of administering the policy to be included within the capped amount or additional to the capped amount? | N/A |
| Will third parties (for instance the States/Territories) have a role in funding or delivering the policy?If yes, is the Australian Government contribution capped, with additional costs to be met by third parties, or is another funding formula envisaged? | No All costs met through Future Fund Management Authority |
| Are there associated savings, offsets or expenses?If yes, please provide details. | No |
| Does the policy relate to a previous budget measure? If yes, which measure? | No |
| If the proposal would change an existing measure, are savings expected from the departmental costs of implementing the program? | Not applicable |
| Will the funding/program cost require indexation?If yes, list factors to be used. | No |
| **Expected impacts of the proposal** |
| If applicable, what are the estimated costs each year? If available, please provide details in the table below. Are these provided on an underlying cash balance or fiscal balance basis? |
| **Estimated financial implications (outturn prices)(a)** |
|  | 2016–17 | 2017–18 | 2018–19 | 2019–20 |
| Underlying cash balance ($m) | N/A | N/A | N/A | N/A |
| Fiscal balance ($m) | N/A | N/A | N/A | N/A |
| 1. A positive number for the fiscal balance indicates an increase in revenue or a decrease in expenses or net capital investment in accrual terms. A positive number in the underlying cash balance indicates an increase in revenue or a decrease in expenses or net capital investment in cash terms.
 |
| What assumptions have been made in deriving the expected financial impact in the party costing (please provide information on the data sources used to develop the policy)? | No government balance sheet impact.If just 3% of Future Fund private equity investment was dedicated to Australian innovation and impact investing it would create a fund of just over $15bn over four years. With the amount of venture capital available in Australia dropping (by 21% in 2014, to $120m), investment by the Future Fund would send a strong and consistent message to the sector, and other investors, that the Government has confidence in Australian innovation and entrepreneurs. |
| Has the policy been costed by a third party?If yes, can you provide a copy of this costing and its assumptions? | No |
| What is the expected community impact of the policy?How many people will be affected by the policy?What is the likely take up?What is the basis for these impact assessments/assumptions? | An additional $15billion over 4 years would be made available to Australian venture capital, start-ups and impact investment groups.  Venture Capital investment in Australia has been in decline. Access to a large pool of investment funding is essential. |
| **Administration of policy:** |
| Who will administer the policy (for example, Australian Government entity, the States, non‑government organisation, etc)? | Future Fund Management Authority |
| Please specify whether any special administrative arrangements are proposed for the policy and whether these are expected to involve additional transactions/processing (by service delivery agencies). | N/A |
| Intended date of implementation: | 1 September 2016 |
| Intended duration of policy: | Ongoing |
| Are there transitional arrangements associated with policy implementation? |  A gradual and responsible sell-off and phase in of assets would be permitted rather than an immediate change. |
| List major data sources utilised to develop policy (for example, ABS catalogue number 3201.0). |  |
| Are there any other assumptions that need to be considered? | The Australian Innovation Future Fund would be managed by the Future Fund Management Authority.No costs or barriers to redirecting 3% of current total financial assets from the FFMA to the AIFFNew investments would earn the current rate of return required of the Future Fund |
| **NOTE:***Please note that:**The costing will be on the basis of information provided in this costing request.**The PBO is not bound to accept the assumptions provided by the requestor. If there is a material difference in the assumptions used by the PBO, the PBO will consult with the requestor in advance of the costing being completed.* |