



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
<i>Note: This policy costing request and the response to this request will be made publicly available.</i>	
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

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<p>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?</p>	<p>No</p> <p>All costs met through Future Fund Management Authority</p>			
<p>Are there associated savings, offsets or expenses? If yes, please provide details.</p>	<p>No</p>			
<p>Does the policy relate to a previous budget measure? If yes, which measure?</p>	<p>No</p>			
<p>If the proposal would change an existing measure, are savings expected from the departmental costs of implementing the program?</p>	<p>Not applicable</p>			
<p>Will the funding/program cost require indexation? If yes, list factors to be used.</p>	<p>No</p>			
<p>Expected impacts of the proposal</p>				
<p>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?</p>				
<p>Estimated financial implications (outturn prices)^(a)</p>				
	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
<p>(a) 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.</p>				
<p>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)?</p>	<p>No government balance sheet impact.</p> <p>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.</p>			

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<p>Has the policy been costed by a third party? If yes, can you provide a copy of this costing and its assumptions?</p>	<p>No</p>
<p>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?</p>	<p>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.</p>
<p>Administration of policy:</p>	
<p>Who will administer the policy (for example, Australian Government entity, the States, non-government organisation, etc)?</p>	<p>Future Fund Management Authority</p>
<p>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).</p>	<p>N/A</p>
<p>Intended date of implementation:</p>	<p>1 September 2016</p>
<p>Intended duration of policy:</p>	<p>Ongoing</p>
<p>Are there transitional arrangements associated with policy implementation?</p>	<p>A gradual and responsible sell-off and phase in of assets would be permitted rather than an immediate change.</p>
<p>List major data sources utilised to develop policy (for example, ABS catalogue number 3201.0).</p>	
<p>Are there any other assumptions that need to be considered?</p>	<p>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 AIFF New investments would earn the current rate of return required of the Future Fund</p>
<p>NOTE: <i>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.</i></p>	