

2020-21 Federal Budget Summary

This document provides a summary of the main announcements in the 2020-21 Federal Budget. If there is a specific item that has not been covered below but you would like further information then please contact AAMRI's Executive Director, Dr Peter Thomas (peter.thomas@aamri.org.au).

1 Summary

The biggest funding announcement of the 2020-21 Budget was an additional \$1B in research funding for universities provided through the Research Support Program (the university research block grant). This one-off funding will be provided in 2020-21 and will help assist universities bridge the funding gap caused by the downturn in international higher education revenue. Also assisting the university sector is additional funding for undergraduate places, and continued funding in line with expectations for the Research Training Program.

Had the 2020-21 Federal Budget been held in May the big news for the medical research sector would have been the Government's continued commitment to fully capitalise the MRFF on time. As the Budget was delayed, the Government went ahead and made the milestone commitment at the start of the financial year by providing the remaining \$3.2B, which is nearly \$700M more than previously forecast – and this funding was provided during one of the greatest economic downturns the country has seen. The MRFF is now set to provide around \$650M in additional medical research investment each year.

Funding for the NHMRC continues to stagnate, and its inflationary indexation is anticipated to be lower than forecast in the previous Budget. Overall funding through the ARC is in line with expectations, but some funding has been shifted from the Discovery program to the Linkage program.

There are a series of smaller funding announcements which will be of interest to some parts of the medical research sector, including funding for preventative health initiatives, vaccine roll-out in the region and mental health research. Funding for research infrastructure through NCRIS continues, including investment in a new synthetic biology research infrastructure facility. Additional funding for CSIRO and ANSTO is also being provided.

This document was updated on the 12 October to include details on the Modern Manufacturing Strategy.

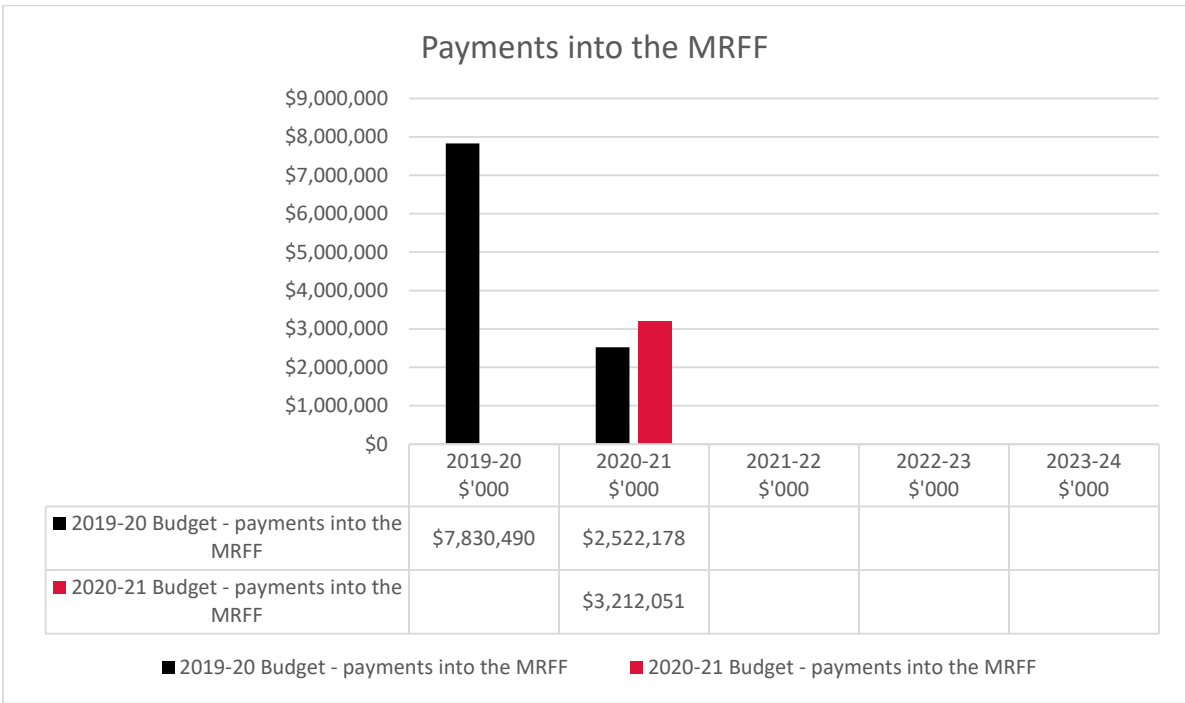
Contents

1	Summary	1
	Contents	2
2	Medical Research Future Fund	3
2.1	MRFF building the fund to \$20 billion	3
2.2	MRFF total planned expenditure on medical research	3
2.3	MRFF investment in medical research	4
2.4	MRFF – new program rounds announced	4
2.5	MRFF – response to COVID-19	5
3	Research Council Funding	6
3.1	National Health and Medical Research Council	6
3.2	Australian Research Council	7
3.2.1	Overall level of ARC research funding	7
3.2.2	ARC Discovery program	7
3.2.3	ARC Linkage program	8
4	Notable new expenditure, savings and revenue measures	9
4.1	Research support package for universities	9
4.2	Mental health	9
4.3	Research infrastructure	9
4.4	Preventative health	9
4.5	CSIRO	9
4.6	ANSTO	9
4.7	MTPConnect	9
4.8	COVID-19 research (announced previously in the July fiscal update)	10
4.9	COVID-19 Vaccines	10
4.10	Antimicrobial resistance	10
4.11	India science, technology and innovation partnerships	10
4.12	Unique device identification for medical devices	10
4.13	Women in STEM	10
4.14	Higher education	10
4.15	Biomedical Translation Fund	10
4.16	Medicinal cannabis research	11
4.17	R&D Tax incentive	11
4.18	Modern manufacturing strategy	11
5	Forecast expenditure/savings in other ongoing programs relating to medical research	12
5.1	University research block grants	12
5.1.1	Research Support Program	12
5.1.2	Research Training Program	13
5.2	NCRIS	14
5.3	CRC Program	15
5.4	ANSTO	16

2 Medical Research Future Fund

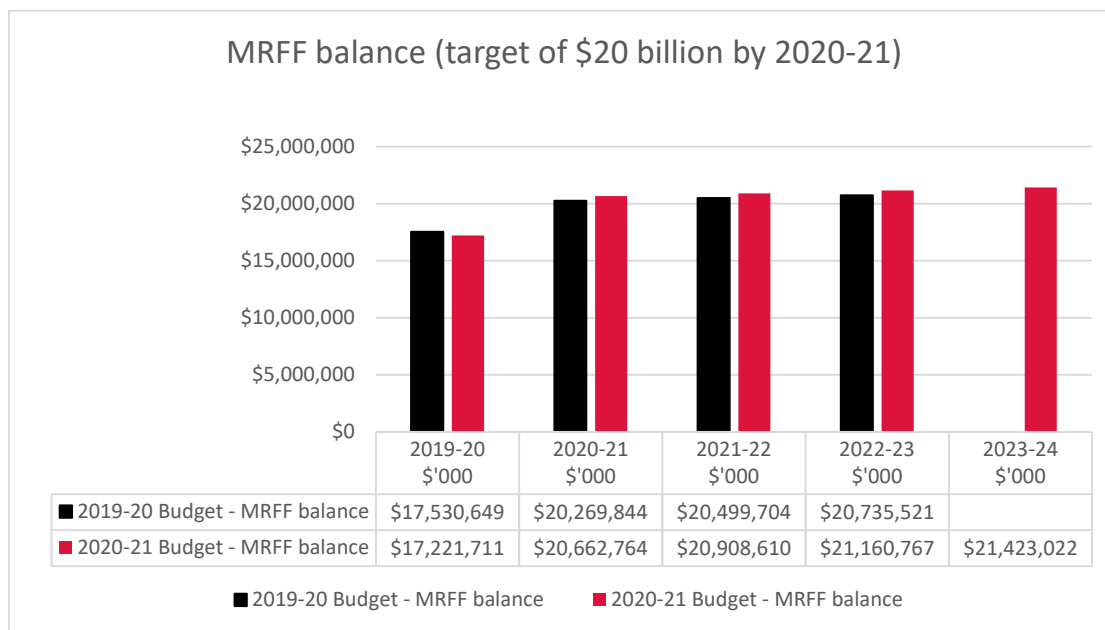
2.1 MRFF building the fund to \$20 billion

The Government has invested the remaining balance required needed to fully capitalise the Medical Research Future Fund to \$20B. This historic milestone was met back in July at the start of the 2020-21 financial year. To achieve this the Government invested \$3.2B into the fund, which is nearly \$700M more than forecast in the previous Budget.



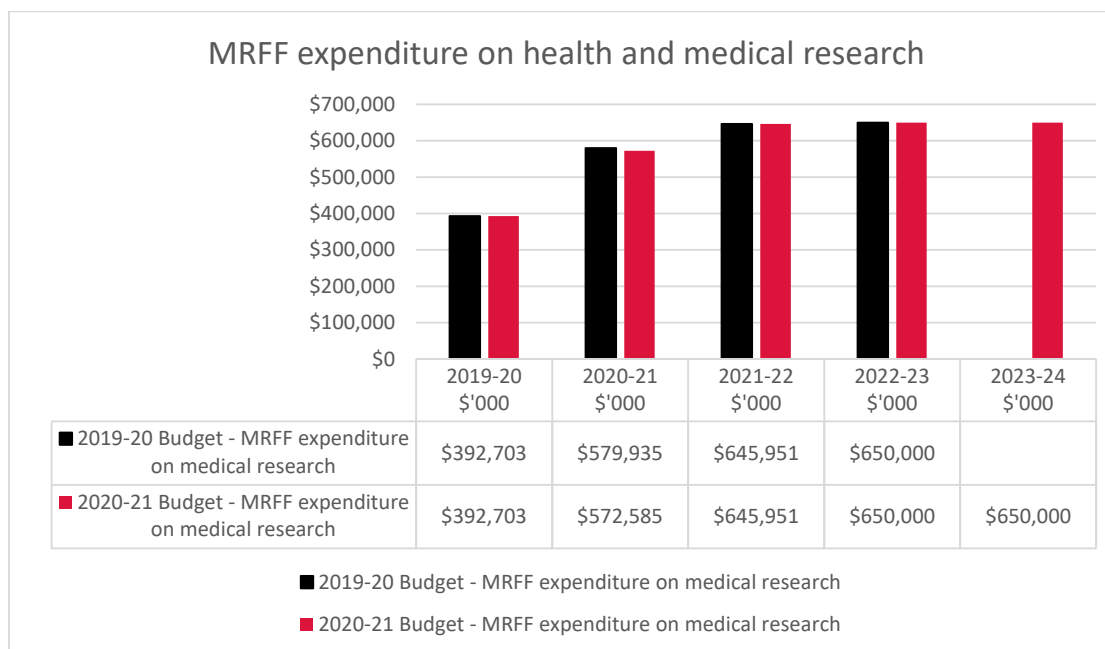
2.2 MRFF total planned expenditure on medical research

The target balance of the MRFF has now been exceeded and the forward estimates predict that it will continue to grow to over \$21B by 2022-23.



2.3 MRFF investment in medical research

Investment in medical research through the MRFF is broadly in line with forecasts from the previous Budget. Nearly \$580M will be invested in medical research in 2020-21, building to \$645M in 2021-22, and \$650M each year thereafter.



2.4 MRFF – new program rounds announced

The following MRFF funding program rounds have been announced with dates:

- \$110M for 2021 Frontier and Medical Research, opens 7 October 2020

- \$7.5M for Efficient Use of Existing Medicines, opens 7 October 2020
- \$44M for 2021 Centres of Research Excellence, opens 21 October 2020
- \$9M to reduce causes, biology and progression of cancer in children and young adults, opens 7 October 2020

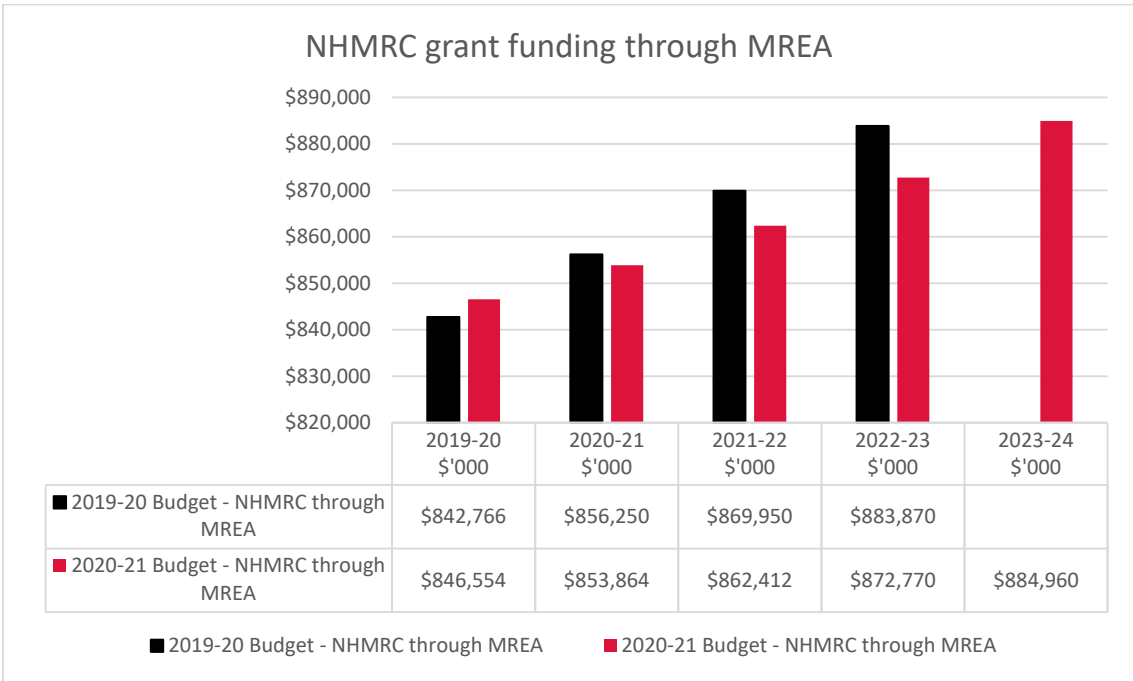
2.5 MRFF – response to COVID-19

- A total of \$95.2M has been allocated from the MRFF to COVID-19 research, this includes previously announced responses. This includes
 - \$19M for vaccine development
 - \$12.7M for anti-virals
 - \$6.8M for respiratory health medicine
 - \$3.6M for diagnostics
 - \$1.8M for public health
 - \$39M for cross-cutting themes.

3 Research Council Funding

3.1 National Health and Medical Research Council

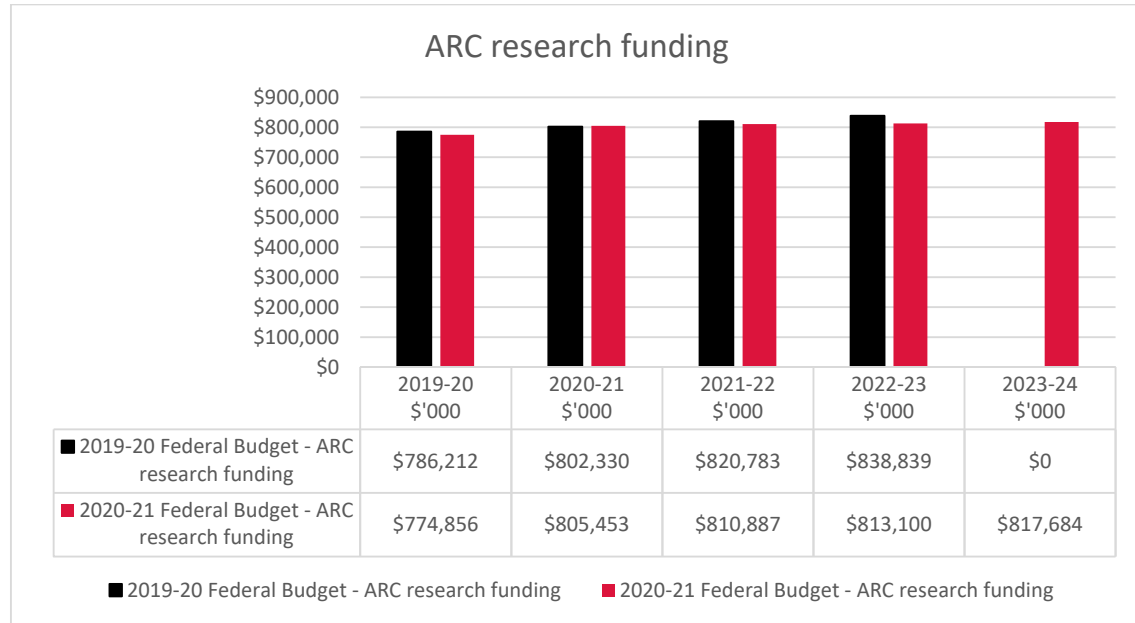
Disappointingly there is no new additional funding provided to the NHMRC over the forward estimates with only small indexation rises provided. The indexation amounts are lower than forecast in the previous Budget by around \$3M in 2020-21, \$6M in 2021-22 and around \$11M in 2022-23.



3.2 Australian Research Council

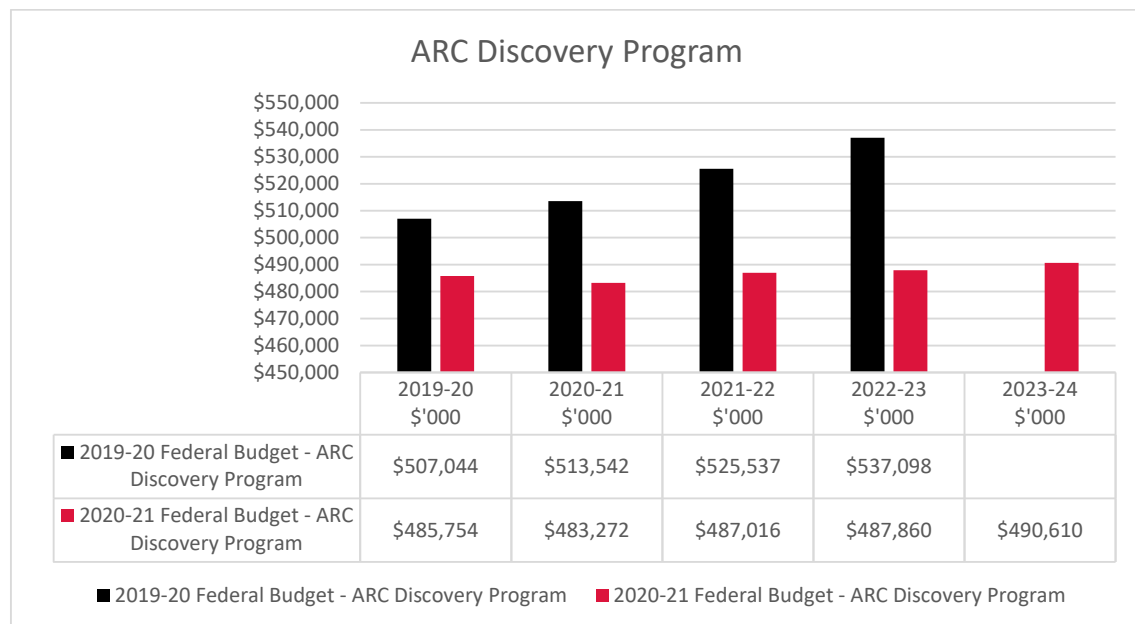
3.2.1 Overall level of ARC research funding

The overall level of research funding available through the ARC is in line with the previous Budget. However, there is some funding has been moved from the Discovery program to the Linkage Program.



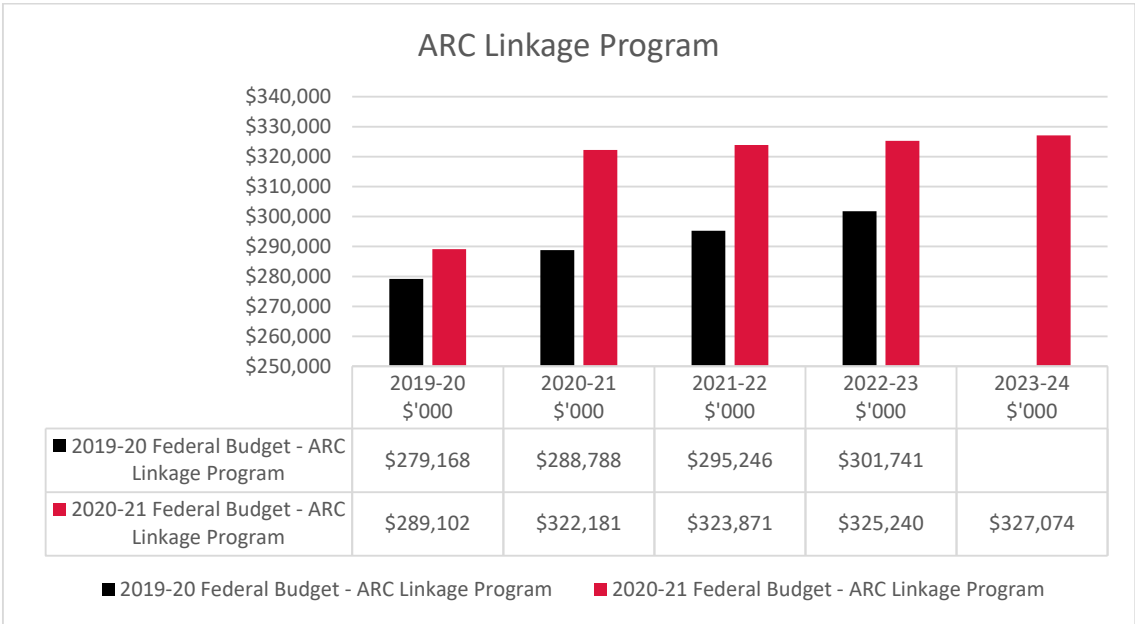
3.2.2 ARC Discovery program

Research funding through the ARC Discovery Program is set to rise less quickly than forecast in the previous Budget, with some of this funding has been transferred to the ARC Linkage Program.



3.2.3 ARC Linkage program

Funding has been diverted from the ARC Discovery program to the Linkage program, resulting in higher forecast increases over the forward estimates.



4 Notable new expenditure, savings and revenue measures

4.1 Research support package for universities

The Government will provide

- an additional \$1.0B in 2020-21 through the Research Support Program (university research block grant) to support universities' higher costs of research.
- \$41.6M over four years from 2020-21 to establish a Strategic University Reform Fund to bring together universities and local industries to partner on innovative projects.
- \$5.8M in 2020-21 for the Department of Education, Skills and Employment to undertake a scoping study of potential options to accelerate the translation and commercialisation of research, including through partnerships between universities and industry.

4.2 Mental health

The Government will provide \$2.1M in 2020-21 to the Black Dog Institute and Everymind to continue to advance research that targets people at heightened risk of mental ill-health and suicide.

4.3 Research infrastructure

The Government will also deliver the 2020 Research Infrastructure Investment Plan (RIIP 2020) to continue implementation of the 2016 NCRIS Roadmap. Of note for medical research this includes \$8.3M over three years from 2020-21 to establish new synthetic biology research infrastructure to facilitate rapid responses to emerging disease and biosecurity risks.

4.4 Preventative health

The Government will provide

- \$50M over two years to support the establishment of the Victorian Melanoma and Clinical Trials Centre at the Alfred Hospital.
- \$21.2M over four years to support the delivery of a number of initiatives (including research) under the Roadmap for Hearing Health.
- \$11.5M over four years to Cancer Australia for tumour specific funding streams of cancer types in line with emerging priorities.

4.5 CSIRO

The Government will provide CSIRO with an additional \$459.2M over four years from 2020-21 to help it address the impacts of its reduced commercial revenue, and to help support scientific activities.

4.6 ANSTO

The Government will provide \$238.1M over four years from 2020-21 (and \$39.0M per year ongoing) to ensure the long-term safety, quality and reliability of ANSTO's core operations, including nuclear medicine production, radioactive waste management and nuclear decommissioning activities.

4.7 MTPConnect

The Industry Growth Centres will receive \$20.0M in 2020-21, with some of this funding directed to MTPConnect.

4.8 COVID-19 research (announced previously in the July fiscal update)

The Government will provide \$42.0M over two years from 2019-20 to support medical research and vaccine development in response to the COVID-19 pandemic. This includes:

- \$32.0M from the MRFF to support research to identify and accelerate the development of antiviral therapies, support vaccine development, and support clinical trials to better treat and manage COVID-19.
- Up to \$10.0M to CSIRO to fast track development of a vaccine in Australia.

4.9 COVID-19 Vaccines

The Government will provide \$23.2M over three years from 2020-21 to the Department of Foreign Affairs and Trade to support development of national immunisation policies in the Pacific, Timor-Leste, and several Southeast Asian countries.

4.10 Antimicrobial resistance

The Government will provide \$22.5M over four years from 2020-21 to deliver Australia's National Antimicrobial Resistance (AMR) Strategy. This will support continued human health surveillance, and a plan for monitoring across human, animal, agriculture, food and environment settings.

4.11 India science, technology and innovation partnerships

The Government will provide \$19.5M from 2020-21 to support science, technology and innovation partnerships with India.

4.12 Unique device identification for medical devices

The Government will invest \$7.7M over four years from 2020-21 to establish a unique device identification system for implanted medical devices. The system will be administered by the TGA and will support the tracking and tracing of medical devices to enable clinical and regulatory actions.

4.13 Women in STEM

The Government will provide \$25.1M over four years from 2020-21 to establish a Women in STEM Industry Cadetship program to support 500 women working in STEM industries to complete an Advanced Diploma through a combination of study and work-related learning experiences.

4.14 Higher education

The Government will provide an additional \$903.5M over four years from 2020-21 to provide more places and support for people wanting to access higher education.

The Government will guarantee the Commonwealth Grant Scheme (education block grant) payments for higher education providers from 2021 to 2023 and will maintain caps at or above previous years' levels from 2025.

4.15 Biomedical Translation Fund

The Department of Health Budget information pack referred to government investment through the Biomedical Translation Fund. No additional details are provided in the Budget papers themselves. AAMRI will investigate whether any new investment is being made here or if this refers to past investment in the Fund.

4.16 Medicinal cannabis research

The Government will provide for the administration and regulation of medicinal cannabis research, cultivation, and manufacture.

4.17 R&D Tax incentive

Proposed changes to the R&D tax incentive that would have reduced overall support through the program have been stalled in parliament for several years. In response the Government has proposed additional changes.

For small companies, those with aggregated annual turnover of less than \$20 million, the refundable R&D tax offset is being set at 18.5 percentage points above the claimant's company tax rate, and the \$4 million cap on annual cash refunds will not proceed.

For larger companies, those with aggregated annual turnover of \$20 million or more, the Government will reduce the number of intensity tiers from three to two. This will provide greater certainty for R&D investment while still rewarding those companies that commit a greater proportion of their business expenditure to R&D.

The R&D premium ties the rates of the non-refundable R&D tax offset to a company's incremental R&D intensity, which is R&D expenditure as a proportion of total expenses for the year. The marginal R&D premium will be the claimant's company tax rate plus:

- 8.5 percentage points above the claimant's company tax rate for R&D expenditure between 0 per cent and 2 per cent R&D intensity for larger companies
- 16.5 percentage points above the claimant's company tax rate for R&D expenditure above 2 per cent R&D intensity for larger companies.

The Government will defer the start date so that all changes to the program apply to income years starting on or after 1 July 2021, to provide businesses with greater certainty as they navigate the economic impacts of the COVID-19 pandemic.

All other aspects of the 2019-20 MYEFO measure will remain unchanged, including the increase to the R&D expenditure threshold from \$100 million to \$150 million per annum.

This measure is estimated to decrease the underlying cash balance by \$2.0 billion over the forward estimates period.

4.18 Modern manufacturing strategy

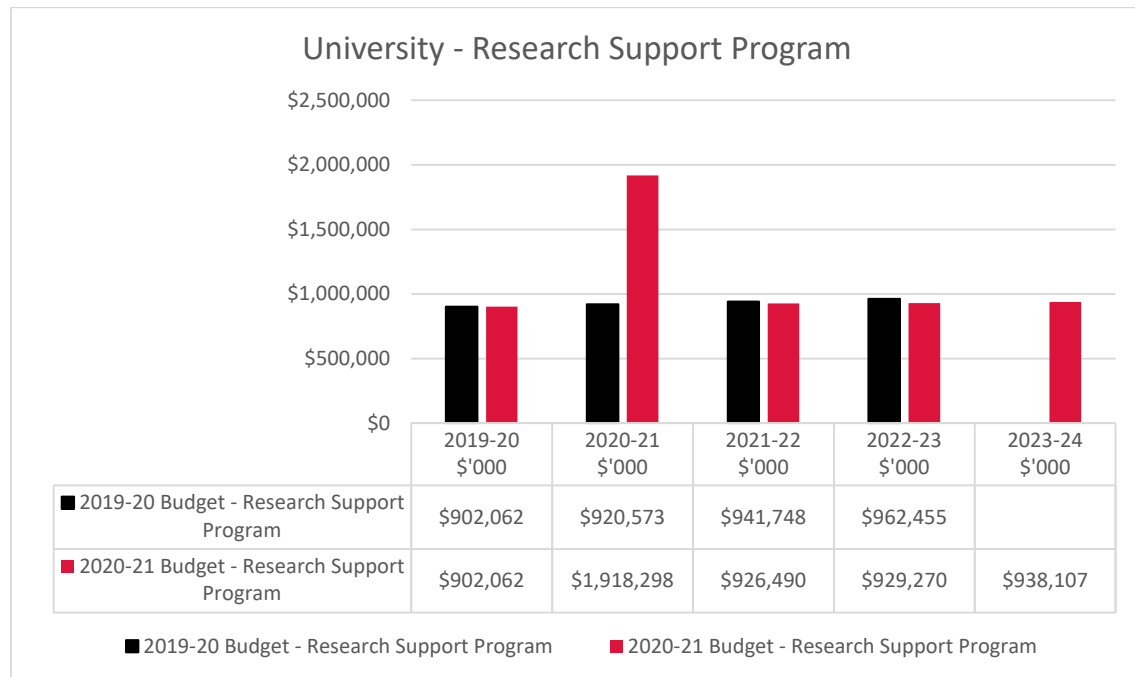
The Government will provide \$1.5 billion over five years from 2020-21 to support a new *Modern Manufacturing Strategy*. Investment will be focused in six areas of competitive advantage, including medical products. Of the funding available \$1.3 billion will be invested in projects focussed on building long-term business collaboration at scale, translating research into commercial outcomes and bringing new products to market.

5 Forecast expenditure/savings in other ongoing programs relating to medical research

5.1 University research block grants

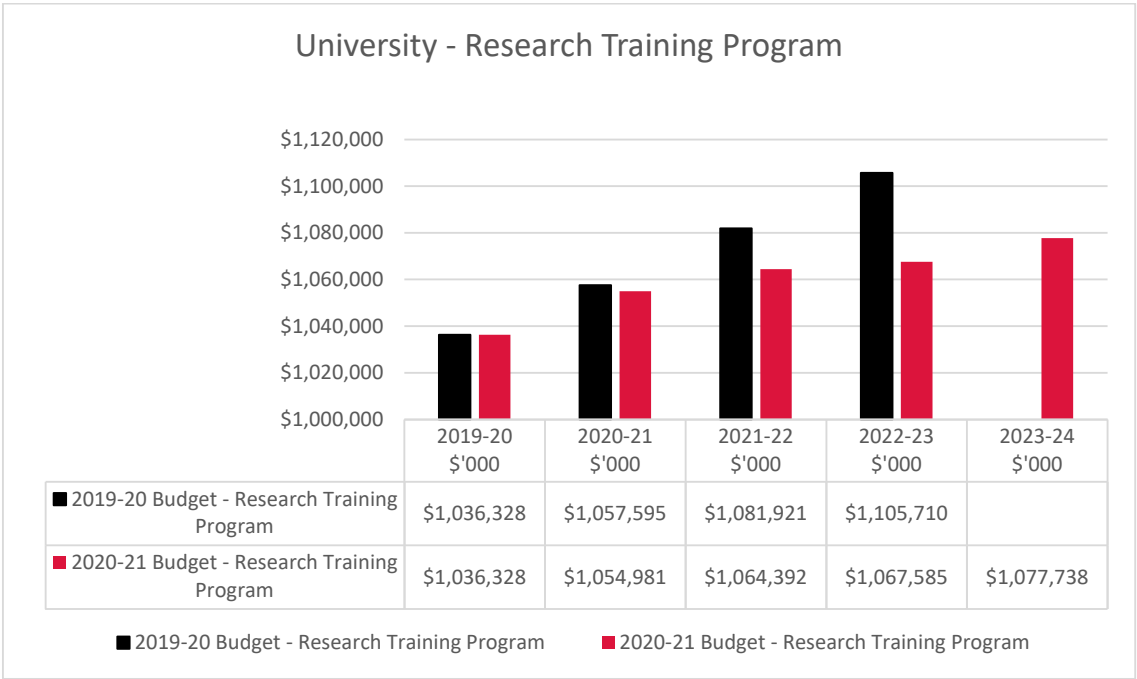
5.1.1 Research Support Program

The most significant new investment in research announced in the Budget is through additional one-off funding provided to universities through the Research Support Program (university research block grant). An additional one-off \$1B will be provided in 2020-21, almost doubling the total RSP for this year.



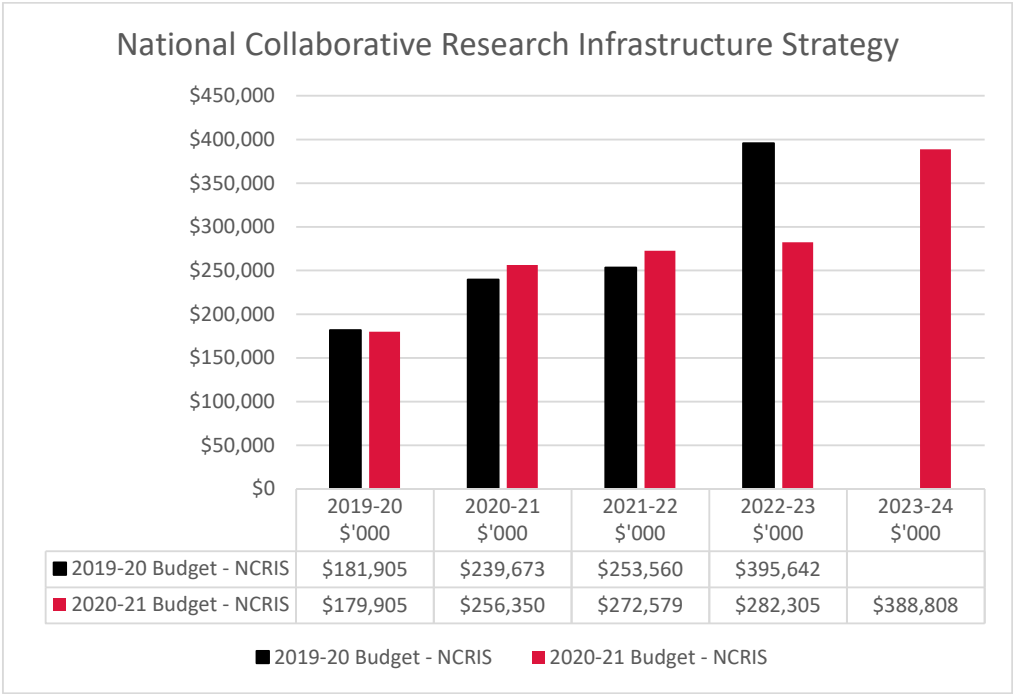
5.1.2 Research Training Program

Funding through the Research Training Program will rise slightly below forecasts in the previous Budget.



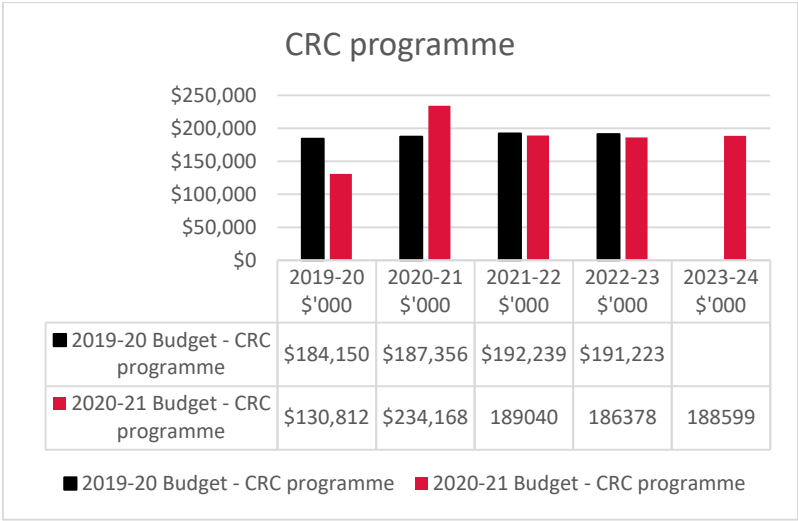
5.2 NCRIS

There will be slightly higher expenditure through NCRIS over the next two years. Some previously anticipated expenditure in 2022-23 appears to have been delayed by a year.



5.3 CRC Program

The CRC Program expended around \$54M less than anticipated in 2019-20. However, funding in 2020-21 will be about \$47M higher than forecast in the previous Budget, Funding for the years beyond this is in line with expectations.



5.4 ANSTO

The total expenses for ANSTO in 2019-20 were significantly less than forecast in the previous Budget. However, increased funding over the forward estimates has been provided, including for initiatives outlined in section four of this update.

