The Treasury

Budget 2026 Information Release

September 2026

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[1] 6(a) - to avoid prejudice to the security or defence of New Zealand or the international relations of the government

[2] 6(b)(i) - to avoid prejudice the entrusting of information to the Government of New Zealand on a basis of confidence by the Government of any other country or any agency of such a Government

[4] 6(c) - to avoid prejudice to the maintenance of the law, including the prevention, investigation, and detection of offences, and the right to a fair trial

[7] 6(e)(ii) - to prevent serious damage to the economy of New Zealand by disclosing prematurely decisions to change or continue government economic or financial policies relating to the regulation of banking or credit

[12] 7(a)(i) - to avoid prejudice to the security or defence of the self-governing State of the Cook Islands

[13] 7(a)(ii) - to avoid prejudice to the security or defence of the self-governing State of Niue

[14] 7(a)(iii) - to avoid prejudice to the security or defence of Tokelau

[15] 7(a)(iv) - to avoid prejudice to the security or defence of the Ross Dependency

[23] 9(2)(a) - to protect the privacy of natural persons, including deceased people

[25] 9(2)(b)(ii) - to protect the commercial position of the person who supplied the information or who is the subject of the information

[26] 9(2)(ba)(i) - to protect information which is subject to an obligation of confidence or which any person has been or could be compelled to provide under the authority of any enactment, where the making available of the information would be likely to prejudice the supply of similar information, or information from the same source, and it is in the public interest that such information should continue to be supplied

[27] 9(2)(ba)(ii) - to protect information which is subject to an obligation of confidence or which any person has been or could be compelled to provide under the authority of any enactment, where the making available of the information would be likely otherwise to damage the public interest

[31] 9(2)(f)(ii) - to maintain the current constitutional conventions protecting collective and individual ministerial responsibility

[33] 9(2)(f)(iv) - to maintain the current constitutional conventions protecting the confidentiality of advice tendered by ministers and officials

[34] 9(2)(g)(i) - to maintain the effective conduct of public affairs through the free and frank expression of opinions

[35] 9(2)(g)(ii) - to maintain the effective conduct of public affairs through protecting ministers, members of government organisations, officers and employees from improper pressure or harassment;

[36] 9(2)(h) - to maintain legal professional privilege

[37] 9(2)(i) - to enable the Crown to carry out commercial activities without disadvantage or prejudice

[38] 9(2)(j) - to enable the Crown to negotiate without disadvantage or prejudice

[39] 9(2)(k) - to prevent the disclosure of official information for improper gain or improper advantage

[40] 18(c)(i) - that the making available of the information requested would be contrary to the provisions of a specified enactment

[41] 18(d) - information requested is or will soon be publicly available

Where information has been withheld, a numbered reference to the applicable section of the Act has been made, as listed above. For example, a [23] appearing where information has been withheld in a release document refers to section 9(2)(a).

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TE TAI ŌHANGA
THE TREASURY

Treasury Report: Budget 2026 Package Advice – Week Commencing 23 February

Date:	27 February	**Report No:**	T2026/319
		File Number:	BM-2-4-2026-M134206

Action sought

	Action sought	Deadline
Hon Nicola Willis **Minister of Finance**	**Indicate** your decisions on individual initiatives in Annex 1 **Indicate** the package you want to present at Budget Ministers 2 **Provide** feedback on draft Budget Ministers 2 slides **Provide** feedback on the attached letters	27 February 2026

Contact for telephone discussion (if required)

Name	Position	Telephone	1st Contact
Thulacksha Thayarooban	Analyst, Budget	[39] N/A (mob)	✓
Emily Fulford	Unit Manager, Budget	N/A (mob)	

Minister's Office actions (if required)

Return the signed report to Treasury.

Note any feedback on the quality of the report	

Enclosure: Yes (attached)

Treasury Report: Budget 2026 Package Advice – Week Commencing 23 February

Purpose of Report

1. This report updates you on several elements of the emerging Budget package, following your feedback on the current draft package [T2026/285 refers] and Budget Ministers 1. We are seeking your decisions on any package changes that you would like reflected at this stage. You have choices on how to present the draft package at Budget Ministers 2 on Tuesday 10 March, which we will reflect in the final slide pack.

2. The annexes attached to this report are:

   a **Annex 1:** Advice on key initiatives (and small packages of initiatives), seeking your steer on the treatment of these initiatives in the package for Budget Ministers 2. These annexes focus predominantly on large initiatives where you have had less engagement on to date, and do not have a Budget bilateral.

   b **Annex 2:** Draft baseline reduction follow-up letters for selected agencies.

   c **Annex 3:** Draft response to Hon Brown, issuing a late Budget invitation for Primary Care Tactical Action Plan initiatives.

   d **Annex 4:** Draft Budget Ministers 2 slide pack for your feedback.

3. You have also received the following other pieces of related advice this week:

Table 1: Treasury Advice Week Commencing 20 February

Date	Title	Description
26 February 2026	Budget Bilateral on Welfare Reform [T2026/269]	Provides advice to inform your first meeting on welfare reform with relevant Ministers on 4 March

Current state of the Budget 2026 package

4. Following your decisions in the last two weeks, the current operating package has headroom of $0.4 billion per annum as represented in Table 2 below. The current capital package is oversubscribed against the allowance by $3.7 billion.

Table 2: Current package

Category	Savings	Spending (inc. precommitments)	Package	Position against allowance
Operating ($b p.a.)	1.3*	3.3	2.0	**0.4 under**
Capital ($b total)	1.2	8.4**	7.2	**3.7 over**

** This does not yet include the outyear savings through the baseline reduction of 5+5% from 2027/28, which is subject to the Public Sector Transformation Cabinet paper being approved. Our current estimate is that this would add a further $0.4 billion to the savings available at Budget 2026 and increase headroom to $0.8 billion per annum.*

***This includes an indicative* [33]

5. While there is a reasonable amount of headroom in the operating package ($0.4 billion), we acknowledge that there remain risks, such as if there are additional coalition commitments Budget Ministers wish to fund, or if the Land Transport GPS requires operating funding.

6. You will receive further detailed advice on your large choices on capital investment (including the Land Transport GPS, and [25], [33] which could reduce the overall size of the package.

7. Within most thematic areas, the current package is largely unchanged following Budget Ministers 1 (e.g. Defence, Education, Health and Foreign Affairs), as you are yet to receive key information and advice. Your bilateral meetings with your colleagues are the next significant milestone to work through the detail of the package. Table 3 below provides a high-level summary of what is currently included and excluded from the package in significant areas, and the upcoming information and decision points. These steps will help you land a near-final package for discussion at Budget Ministers 3 on 25 March.

Table 3: Decision-making pathway ahead of Budget Ministers 3

Current package	Key information and decision-points ahead of BM3
Health	
At BM1, you presented a [37] operating per annum package including key coalition commitments – extending post-natal hospital stays (scaled funding assuming a 50% uptake of the 3-day stay), bowel screening, and road ambulances. On this basis only [7], [37] million remains in the envelope to offset the Health New Zealand (HNZ) deficit. Capital investment in Health totals **$501 million.** There is currently no funding in the package for Pharmac, aged care, or initiatives relating to the Primary Care Tactical Action Plan (discussed at paragraph **8**).	• Hons Seymour and Brown have recently received advice on the findings of agencies' work to identify health system savings from pharmaceutical investments. You may be referred a copy of this advice shortly. • **27 February:** HNZ has provided Joint Ministers with more information on HNZ's 2026/27 budget. • **6 March:** You will receive advice on the Treasury's preliminary forecasts including HNZ's deficit track. • **5 March:** You will receive detailed advice from the Treasury to support your Health bilateral. • **10 March (5 – 5.30pm):** Bilateral meeting with Hon Brown. • **10 March (8 – 9pm):** Optional verbal update on any key Health decisions at BM2. • **23 March:** Bilateral with Hon Seymour on Pharmac (and ECE).
Law and Order	
At BM1, Ministers agreed to increase the operating envelope to **$300 million** per annum. The specific make up of this envelope is outstanding. **Budget Ministers 2 currently reflects a $300 million package** overall but not specific initiatives that it would fund other than [33], [37]	• You have written to Law and Order Ministers requesting a revised operating envelope. • **6 March:** Law and Order Ministers will provide an updated $300 million envelope. • **11 March:** You will receive detailed advice from the Treasury to support your multilateral. • **12 March:** Law and Order multilateral.
Welfare reform	
At BM1, you presented the full set of available welfare reform options. The package currently reflects your preferred options that you indicated at Fiscal Matters on 16 February [33] . Most significantly, this includes [33] [33] • Increasing tenant income-related rent contribution [33] • [33] • Temporary Additional Support formula changes [33] [33]	• **27 February:** You have received separate briefing to support your first multi-lateral meeting (T2026/269 refers). • **4 March (5-5.45pm):** Multilateral welfare reform meeting. • **11, 23, and 25 March:** Follow-up multilateral welfare reform meetings.

Current package	Key information and decision-points ahead of BM3
Revenue	
At BM1, you presented the full set of available revenue options. The package currently reflects your preferred options that you indicated at Fiscal Matters on 16 February, set out below **($8m net operating savings)**: • Fringe benefit tax reform, Foreign investment fund rules reform, Tax and Social Policy Work Programme funding (**$72m** total spending per annum) • Reducing donation tax credit concessions, charities and not-for-profits package, and additional compliance activities (**$80m** total savings per annum). **Not included in package:** bank tax, shareholder loans, foreign buyers charge.	• **5 March**: you will receive an update on Tax and Social Policy Work Programme initiatives, seeking your decisions on their status in the package. • **5 March**: you will receive an update on the bank tax initiative. • **5 March:** you will receive an update on shareholder loans from Inland Revenue. • **9 March:** next Joint Ministers meeting with Minister of Revenue, which will discuss the Tax Policy Scorecard, Budget 2026 revenue raisers, and monitoring and reporting of initiatives.
Land Transport system	
Currently, there is a **placeholder** for a capital contribution to the Transport GPS27 of [33] representing the indicative value equal to potentially [33] Roads of National Significance, though the capital could be redirected to higher priority projects in the upcoming Major Transport Projects Pipeline. It also assumes that funding required to deliver the minimum viable option to meet NZTA's existing obligations will be met through revenue measures - [33] - noting this may change as NZTA forecasts are refined. Rail initiatives are covered in more detail at **Annex 1.**	• **27 Feb:** [33] • **12 March:** You will receive detailed advice to support your bilateral meeting. • **16 March:** Transport bilateral.

Other matters relating to the package

8. You received a briefing from Hon Brown seeking agreement to reprioritise $32 million of underspends associated with Primary Care Tactical Action Plan (PCTAP) initiatives. You directed Treasury to draft a letter inviting these proposed initiatives into the Budget process so they can be considered as part of the Health envelope. We have attached a letter for your signature, and will provide advice on these initiatives as part of our bilateral advice.

9. [33]

10. We are seeking your agreement to share bilateral advice relating to capital expenditure in Education, Health and Law and Order with the Minister for Infrastructure. Alternatively, we can seek your agreement to refer advice on a case-by-case basis.

Approach to upcoming Budget Ministers meetings

11. Budget Ministers 2 is scheduled for Tuesday 10 March. You will need to distribute materials to other Ministers on Friday 6 March. [34]

12. Budget Ministers 2 is before most of your bilateral meetings (with the exception of health and welfare reform). The meeting can therefore be used to get broad agreement to the parameters of the packages you are then discussing in your bilateral meetings.

13. Budget Ministers 3 (Wednesday 25 March) could then confirm any changes to those packages (and make near-final decisions on them) from those bilateral meetings, with Budget Ministers 4 (Thursday 9 April) resolving outstanding issues.

[34]

[34]

Update on economic and fiscal forecasts

23. We have previously indicated we will provide you more regular updates on economic and fiscal forecasts throughout the Budget process.

Economic forecasts

24. We have undertaken initial analysis on the potential implications of the Budget package for the economic and fiscal forecasts. Broadly, assuming that the remaining headroom is allocated during the remainder of the Budget process, we expect that there would be a very limited impact on the economic outlook from the size and current shape of the Budget package.

25. The package may slightly change the composition of the economy relative to our preliminary forecasts. For example, welfare reforms [33] , however, these savings are offset by funding a range of other Budget initiatives, which increase government consumption.

Fiscal Forecasts

26. We are currently in the process of preparing the preliminary fiscal forecasts for the 2026 Budget Update.

27. At this stage we expect that some of the strength in certain tax types reflected in the January outturns will continue to persist and that the increase in the forecast of nominal GDP will lead to an upwards revision to tax revenue forecasts. However, some of the updated economic factors influencing tax revenue forecasts (including higher inflation and interest rates) are also likely to increase certain expenditure types, such as benefit expenses and finance costs.

28. The preliminary fiscal forecasts are due to be completed on Thursday 5 March and we will provide you with a report on these forecasts shortly after their completion.

Recommended actions

We recommend that you:

a **indicate** your decisions in Annex 1;

b **sign** the baseline reduction follow-up letters for selected agencies in Annex 2;

c **sign** the response to Hon Brown on Primary Care Tactical Action Plan initiatives in Annex 3;

d **agree** to share bilateral advice relating to capital expenditure for Education, Health and Law and Order with the Minister for Infrastructure;

Agree / disagree

e **indicate** whether you want to present an aggregate picture of the Budget package at Budget Ministers 2;

Yes / No

f **[If "Yes" to recommendation e] indicate** whether you want to make any of the following package adjustments for what is presented at Budget Ministers 2, and

- include a [33] *Yes / No*
- exclude the additional 10% baseline reduction for now; *Yes / No*
- include any other initiatives currently excluded from the package. Please specify below;

____

g **indicate** whether you want to share a full cut of the Budget package annex with Budget Ministers at the next meeting, or at Budget Ministers 3.

Budget Ministers 2 / Budget Ministers 3

Emily Fulford
Unit Manager, Budget Management

Hon Nicola Willis
Minister of Finance
_____/_____/_______

Annex 1: Individual initiatives requiring decisions

Vote Arts, Culture and Heritage – New Zealand Screen Production Rebate (domestic) - continued funding

Vote	*Arts, Culture and Heritage*
Initiative ID	*17251*
Initiative Title	*New Zealand Screen Production Rebate (domestic) - continued funding*
Contact details	*Britney D'Souza* | *Analyst* *Claire Howard* | *Unit Manager* [39]
Issue / advice sought	We are seeking your steer on funding for the domestic New Zealand Screen Production Rebate (NZSPR-NZ) in the draft Budget package being discussed at Budget Ministers 2 on Tuesday 10 March. Hon Goldsmith is progressing a Cabinet paper that proposes changes to the NZSPR-NZ's settings, including both cost-reducing and cost-increasing changes.
Treasury advice	**The package currently includes funding for the NZSPR-NZ, based on:** • **Funding it across the forecast period.** Current funding is time-limited. Providing ongoing funding aligns with your treatment of the international rebate through Budget 2025. • **Removing the NZSPR-NZ's additional rebate as proposed by Hon Goldsmith's paper.** Under the NZSPR-NZ's 40% rebate rate, productions are limited to a rebate of up to $6 million per-project (per a maximum qualifying spend of $15 million). For productions that meet additional tests, the Additional Rebate provides up to a further $14 million per-project, meaning a total rebate of up to $20 million (per a maximum qualifying spend to $50 million). Removing the Additional Rebate will better control long-term fiscal costs. • **Not progressing proposed cost-increasing changes.** Most notably, while removing the additional rebate, the draft Cabinet paper proposes to lift the per-project cap from $6 million to $12 million and to reduce minimum feature film spending from $2.5 million to $1 million. Based on the Ministry of Culture and Heritage's estimates, these changes would increase funding required by [26] We consider there is a risk the true increase in costs to the NZSPR-NZ could be higher, particularly over the longer term. The Treasury does not generally support funding rebates such as the NZSPR-NZ from a first-principles basis. However, we recommend funding this initiative to align with your decision to provide ongoing funding at forecast levels for the NZSPR-International made through Budget 2025. Reducing or ending the NZSPR-NZ in isolation may have flow-on economic impacts to the international screen sector. Impacts could be compounded through reductions in funding for Crown entities (NZ Film Commission, NZ On Air) being progressed through the 2% baseline reduction being progressed at Budget 2026. We can provide further detailed advice on the Cabinet paper and its proposals, as well as on options to further scale the cost of NZSPR-NZ if you wish.
Treasury recommendation	***Indicate*** *if you want to:* • ***Option A:*** *Retain existing option in the package (only cost controls progressed): Yes / No* • ***Option B:*** *Include in package Hon Goldsmith's cost-control and cost-increase proposals: Yes / No* • ***Option C:*** *Remove this initiative from the package: Yes / No*

Option	***ID***	***Operating ($m)***						***Total Capital ($m)***
		25/26	***26/27***	***27/28***	***28/29***	***29/30***	***Total***	
Option A (cost-controls)	17251	[26]						-
Option B (cost-controls and increases)	17251	-	0.2	57.5	70.2	57.5	185.3	-
Option C	17251	-	-	-	-	-	-	-

[33]

Vote Prime Minister and Cabinet – Core central agency functions of the Department of the Prime Minister and Cabinet – continued funding

Vote	Prime Minister and Cabinet
Initiative ID	17056
Initiative Title	Core central agency functions of the Department of the Prime Minister and Cabinet – continued funding
Contact details	Tim Roper – Senior Analyst – [39] Claire Howard – Unit Manager
Issue / advice sought	This annex highlights details of our recommended scaling option for the Department of the Prime Minister and Cabinet's (DPMC) departmental cost pressure initiative which is currently included in the draft package. This will continue delivery of DPMC's core central agency functions following implementation of its new operating model in 2025. This follows the Budget 2025 decision to provide funding for one year (2025/26) only, pending consideration of DPMC's outyear requirements in Budget 2026. We are seeking your decision on whether to amend the scaled option currently included in the package for discussion at Budget Ministers 2 on 10 March, following a recent Cabinet decision and further engagement with DPMC.
Treasury advice	As part of the initial package advice, the Treasury recommended scaled funding of $12.0m average per annum (compared to the $15.5m average per annum sought) [T2026/109 refers]. This assumed: • ceasing provision of cyber security grants ($1.4m average per annum). • a 2 percent efficiency dividend ($1.1m average per annum). • reducing consultant spend and renting out unused accommodation ($1.0m average per annum). We now recommend, at a minimum, adding back in funding for cyber security grants (**Option A**). These grants are for agencies to undertake cyber security improvements. We were previously of the view that this funding was relatively low-value, based on historic low uptake and non-alignment with core business for DPMC. However, we are now aware that, on 23 February, Cabinet agreed to repurpose these grants as part of its refreshed Cyber Security Strategy [CAB-26-MIN-0047]. Our revised view is that it is no longer possible to remove this funding from DPMC's baseline. On top of the cyber security grants, we seek your decision on the inclusion of the 2% efficiency dividend. DPMC was exempted from the 2% baseline savings exercise due to the funding shortfall in its outyear baseline following the time-limited Budget 2025 funding decision. We included the efficiency dividend to provide consistency with treatment of other departments. We now understand that DPMC has already factored in efficiencies in calculating its proposed outyear baseline. Our revised view is that no efficiency dividend should be applied to DPMC at this stage, but that this could be revisited in future Budgets. **Option B (recommended)** adds back in the 2%, on top of funding for cyber security grants.
Treasury recommendation	**Indicate** if you want to amend this initiative to: • **Option A**: Add back in baseline funding for cyber security grants: Yes/No • **Option B (Treasury recommended)**: Add back in baseline funding for cyber security grants **and** the 2% efficiency dividend: Yes/No.

Option	***ID***	***Operating ($m)***						***Total Capital ($m)***
		25/26	***26/27***	***27/28***	***28/29***	***29/30***	***Total***	
Current status in package	17056	-	2.3	14.5	15.2	15.9	47.9	-
Option A – add back cyber security grants funding	17056	-	3.8	16.0	16.6	17.3	53.6	-
Option B – add back in cyber security grants funding and 2% efficiency dividend	17056	-	4.9	17.0	17.7	18.4	58.1	-

Vote Revenue – Savings from the Research and Development Tax Incentive

<table>
<tr><td>Vote</td><td>Revenue</td></tr>
<tr><td>Initiative ID</td><td>NA</td></tr>
<tr><td>Initiative Title</td><td>Savings from Research and Development Tax Incentive [33]</td></tr>
<tr><td>Contact details</td><td><table><tr><td>Sym Pandey</td><td>Senior Analyst</td></tr><tr><td>John Marney</td><td>Manager</td></tr></table>[39]</td></tr>
<tr><td>Issue / advice sought</td><td>You asked the Ministry of Business, Employment, and Innovation (MBIE) and Inland Revenue (IR) for advice on saving and spending options for the Research and Development Tax Incentive (RDTI) [33] for consideration in Budget 2026. MBIE and IR have provided this advice to you and Hons Reti and Watts (MBIE BRIEFING-REQ-0027276 refers). This annex provides the Treasury’s recommendations on the options provided.</td></tr>
<tr><td>Treasury advice</td><td> We recommend excluding internal software expenditure from the RDTI (savings of $37 million per annum). Excluding internal software expenditure is likely to have limited economic impact, as this type of spending generally generates fewer spillover benefits than other forms of Research & Development (R&D) expenditure. This category of spending also involves disproportionately higher compliance and administrative costs for both claimants and IR, due to the challenges in accurately identifying eligible expenditure. We do not recommend excluding overseas expenditure from the RDTI (savings of $13 million per annum). Low business R&D investment and distance from international markets constrain the domestic availability of expertise and capabilities. Allowing claims to overseas expenditure at the current 10% level supports firms to retain their broader activities in New Zealand. On balance, we consider the risk of overall economic benefits being reduced from firms relocating R&D programmes overseas is greater than the value of expected savings. We do not recommend agreeing to Portfolio Ministers’ proposed adjustments to the RDTI (cost of $4 million per annum). These adjustments may lead to a modest increase in uptake, but are unlikely to enhance value for money, better support high-quality R&D, or reduce the compliance burden. [33] </td></tr>
<tr><td>Treasury recommend action</td><td><table><tr><th>Option</th><th>Fiscal impact ($m, p.a.)</th><th>Decision</th></tr><tr><td>a) Exclude non-administrative internal software expenditure from RDTI</td><td>(37.0 million)</td><td>Realise savings (recommended)
Agree / disagree</td></tr><tr><td>b) Exclude overseas expenditure from RDTI</td><td>(13.0 million)</td><td>Do not realise savings (recommended)
Agree / disagree</td></tr><tr><td>c) Implement Portfolio Ministers’ proposed adjustments to RDTI</td><td>4.0 million</td><td>Do not implement (recommended)
Agree / disagree</td></tr></table>[33]</td></tr>
</table>

Vote Social Development – SuperGold Card: official form of identification

Vote	Social Development
Initiative ID	17247
Initiative Title	SuperGold Card: official form of identification

Contact details

Xuemeng Liu	Analyst	[39]
Claire Howard	Unit Manager	

Issue / advice sought

We are seeking your steer on this initiative in the draft Budget package ahead of Budget Ministers 2 on Tuesday 10 March. It is not currently included in the draft Budget package.

This initiative would introduce formal identification to the SuperGold Card (SGC) to be available free of charge for any eligible person, meeting older people's ID needs while reinforcing the role and value of the card. A National and NZ First coalition commitment refers to "upgrading the Super Gold Card and Veterans Card to maximise its potential benefit for all Super Gold Card and Veteran Card holders."

Treasury advice

We do not recommend supporting this initiative (Option A). We consider that an upgraded SGC that can be used as an official form of identification is unlikely to deliver significant benefits beyond already available options, such as the Kiwi Access Card (which costs $75 every 10 years). There is only limited and outdated evidence of material demand for an additional form of identification.

However, if this initiative is a priority you could provide scaled funding (Option B). Costings of this option are indicative, but are based on two underlying assumptions:

- **Introducing a $10 consumer co-payment:** Under the current design, the government covers the full cost for an SGC. An option is for users to share part of the cost. A co-payment of around $10 (around half the cost of the card) per applicant would reduce fiscal pressure and make the upgraded SGC less attractive to those who do not need it, while keeping the scheme affordable and accessible. The Ministry for Social Development (MSD) estimates that designing a co-payment system might generate higher upfront costs than their proposed initiative. However, the ongoing delivery costs, will be lower than MSD's proposal.
- **Introducing the co-payment would halve uptake assumptions:** The current cost estimate assumes an 80 per cent uptake rate. Data from 2018 (the most recent available information) showed that around 20 per cent of SGC holders had no driver licence, and about 42 per cent had no passport. Demand for the upgraded card would mostly be limited to those who lack both forms of identification and need access to financial services or age restricted venues – likely well below 20 per cent. Revising the design to a co-payment model will also reduce uptake, because the consumer expense will reduce the incentive to apply – especially for those who do not need it. However, to allow for uncertainty around demand, we recommend using a more conservative assumption of 40 per cent uptake.

If you indicate your preference for **Option B**, we will confirm the final costings with MSD.

Option C corresponds to full funding for this initiative.

Treasury recommendation

Indicate if you want to:

- **Option A**: Exclude this initiative from the BM2 package (*Treasury recommended*): Yes/No
- **Option B (indicative)**: Include this initiative in the BM2 package with scaled funding: Yes/No
- **Option C**: Include this initiative in the BM2 package with full funding: Yes/No

Option	*ID*	*Operating ($m)*						*Total Capital ($m)*
		25/26	*26/27*	*27/28*	*28/29*	*29/30*	*Total*	
Option A	17247	-	-	-	-	-	-	-
Option B	17247	-	3.0	4.7	7.4	7.5	22.6	7.7
Option C	17247	-	2.7	4.3	14.6	14.9	36.4	6.5

Vote Statistics – Modernise the Integrated Data Infrastructure to support social investment and government decision-making

<table>
<tr><td>Vote</td><td>Statistics</td></tr>
<tr><td>Initiative ID</td><td>17211</td></tr>
<tr><td>Initiative Title</td><td>Modernise the Integrated Data Infrastructure to support social investment and government decision-making</td></tr>
<tr><td>Contact details</td><td><table><tr><td>Russell Henson</td><td>Analyst</td></tr><tr><td>Lydia Verschaffelt</td><td>Acting Unit Manager</td></tr></table>[39]</td></tr>
<tr><td>Advice sought</td><td>We are seeking your steer on how you want to treat this initiative in the draft Budget package being discussed at Budget Ministers 2 on Tuesday 10 March.</td></tr>
<tr><td>Treasury advice</td><td>
The current Integrated Data Infrastructure (IDI) is facing significant processing issues due to the amount of data held in the system, and limitations in system design. This initiative provides funding to upgrade the IDI over the next three years (end July 2029) to meet increased demand through two components:

core technology improvements to maintain the current system and increase system capacity; and
upgrades to data quality, security, and trainings to encourage more use of the IDI.

We recommend fully funding these upgrades (Option A) to support greater use of the IDI.
Treasury's engagement with other agencies has identified the IDI is regularly used to drive greater value from existing programmes (e.g. providing data to determine the outcomes of interventions for Not in Education, Employment or Training youth) and improve efficiency in data-driven work (e.g. modelling for tax policy options). 1,046 projects were completed using the IDI between 2011 and 2023. The Social Investment Agency's upcoming work programme and digital transformation work at Stats NZ are also both reliant on the IDI. Given this, we support full funding in order to expand use of the IDI across Government and address future needs.
If you wished to scale investment, Option B includes funding for core technology improvements, but does not include any components to support greater use and data quality for the IDI.
This option improves the capacity of the IDI to support the Social Investment Agency and continued use across Government, but does not include upgrades to data quality, security and trainings.
If you don't want to fund this initiative through Budget 2026 (Option C), this could lead to risks for existing work programmes relying on the IDI. We can provide more advice on this option at your request.
There are high FTE implications for this initiative but the majority of staff are fixed term.
Given that the IDI is developed and maintained in-house by Stats NZ, development work is done by staff in-house rather than by paying an external contractor. This initiative consequently has high fixed-term FTE numbers until July 2029, but has limited non-FTE costs in total, and lower FTE numbers on a permanent basis. As a result, costs are higher within the forecast period but decrease in outyears. Permanent FTE are for maintenance of the new system, work on ongoing quality, and security measures.
We are comfortable that these FTE requirements cannot be met within existing baselines due to:

the skill requirements (e.g. over 80% of FTE requirements are information/ICT professionals); and
Stats NZ funding existing transformational work within baselines.

There will be further opportunity to interrogate this investment when Cabinet considers the detailed business case.
At this stage, there will be another opportunity to consider if FTE levels can be managed down. It may be possible to outsource some elements of the project to the private sector, but this would need to be re-costed as it would change the underlying approach of the initiative.
</td></tr>
</table>

Treasury recommendation

Indicate if you want to amend this initiative in the package for discussion at Budget Ministers 2, to:

- **Option A**: Provide full funding for Modernising the IDI: Yes/No
- **Option B:** Provide scaled funding for Modernising the IDI: Yes/No
- **Option C:** Remove from the package: Yes/No.

Option	**ID**	**Operating ($m)**						**Total Capital ($m)**	**FTE**	
		25/26	26/27	27/28	28/29	29/30	Total		Permanent	Fixed-term
Option A	172 11	-	14.7	15.7	17.1	12.3	**59.8**	**13.9**	20.3	48.3
Option B		-	11.6	12.6	12.0	8.6	**44.8**	**13.0**	14.7	36.6
Option C		-	-	-	-	-	**-**	**-**	**-**	**-**

Indicate if you want more information on the impacts of not funding this initiative: Yes/No

Vote Transport – Rail Initiatives

Vote	Transport
Initiative ID	17138, 17139, 17161, 17290
Initiative Title	Rail Network Investment Programme (RNIP) – National Rail Freight Network Reprioritisation - Rail Network Investment Programme (RNIP) tagged contingency Rail Network Investment Programme (RNIP) – Metropolitan Rail Networks Overdue Renewals [33]
Contact details	Ben Quilter – Senior Analyst [39] Amanda Wilson – Unit Manager
Issue / advice sought	This annex sets out the Treasury's recommendations for the rail-related initiatives in the Transport portfolio. We are seeking your steer on how you want to treat these initiatives in the draft Budget package being discussed at Budget Ministers 2 on Tuesday 10 March. Your early direction on these initiatives will enable further conversations to focus on the portfolio's core priority: the Government Policy Statement 2027 (GPS27) Budget initiative.
Treasury advice	<u>Rail Network Investment Programme (RNIP) – National Rail Freight Network</u> **We recommend supporting this initiative.** The Rail Network Investment Programme 2027-30 (RNIP) is being drafted in the coming months, and making funding decisions now will set expectations for KiwiRail and co-funders upfront and help drive transformation, reducing overall costs. KiwiRail has indicated that providing three years of funding certainty (rather than the current one-year approach) would enable more efficient planning, standardised design, and bulk procurement. This is expected to reduce costs by around 25%, which is why the suggested funding level is set at 75% which the Board is confident it can deliver. Whilst the next RNIP is still in development, the costs submitted by KiwiRail are largely in line with the previous RNIP and known maintenance and renewal requirements. We recommend putting this funding into a tagged contingency subject to agreement of the final RNIP. This enables the Crown to ensure that there is a robust plan to deliver on these savings without compromising on delivery. Alternatively, funding could be scaled to minimum viable levels (1 year at 100% or 2 years at 75%) with the rest deferred until Budget 2027 - reducing pressure on allowances now but delaying and risking realisation of efficiencies. A minimum of one year of funding is required through Budget 2026 to enable works to be contracted intime to commence on 1 July 2027 when the new RNIP would come into force. Providing funding for 1 year only would negate the savings expected from longer-term funding certainty and therefore, we don't recommend this approach. We believe the benefits in driving efficiencies through a longer-term funding envelope outweighs the uncertainty with exact costings of the three-year plan at this stage Regardless of the preferred approach, $170 million savings have been identified in the current RNIP (2024-2027), which could be reprioritised to offset the cost of this initiative. This saving has been submitted as a standalone initiative which we recommend is supported. <u>Rail Network Investment Programme (RNIP) – Metropolitan Rail Networks Overdue Renewals (MROM)</u> **We recommend scaling this initiative, to provide full funding for 1 year only.** The Crown has an agreement with local councils which requires it to fund its share of MROM. MROM is a defined programme of works to replace life-expired assets. Whilst the agreement is currently being renewed, if ultimately amended, this would only impact future cost sharing arrangements rather than removing the obligation for the Crown to contribute to historic overdue renewals. Renewals are needed for continued metro operation and to ensure the benefits of investments such as City Rail Link are realised. Costs can be phased or tranched but not avoided outright. In contrast to the RNIP, we understand that funding certainty beyond one year may not lead to additional delivery, given current market capacity constraints and other upgrades underway on impacts lines. Therefore, we recommend providing the minimum viable funding (one year) [33] [33]

	[33]
Treasury recommendation	Rail Network Investment Programme (RNIP) – National Rail Freight Network **Agree** to retain in the current package: three years of funding certainty at 75% to maximise efficiency gains from longer-lead procurement: Yes/No (table 1 below) Reprioritisation - Rail Network Investment Programme (RNIP) tagged contingency **Agree** to return the full $170 million tagged contingency for the current RNIP which could be used to offset costs of rail initiatives agreed through this Budget: Yes/No Rail Network Investment Programme (RNIP) – Metropolitan Rail Networks Overdue Renewals **Agree** to retain in the current package: one year of funding only to reflect the system's capacity to carry out the required metropolitan rail remedial work: Yes/No (table 2 below) [33]

Option	***ID***	***Operating ($m)***						***Total Capital ($m)***
		25/26	***26/27***	***27/28***	***28/29***	***29/30***	***Total***	
Current status in the package	17138	-	-	156.5	158.7	161.9	**477.1**	**598.2**

Option	***ID***	***Operating ($m)***						***Total Capital ($m)***
		25/26	***26/27***	***27/28***	***28/29***	***29/30***	***Total***	
Current status in package	17161	-	-	-	-	-	-	**106.9**

Annex 2: Baseline reduction follow-up letters

Annex 3: Draft response to Hon Brown: late Budget invitation for Primary Care Tactical Action Plan initiatives