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 2 March

Date:	6 March 2026	**Report No:**	T2026/322
		File Number:	BM-2-4-2026-M134247

Action sought

	Action sought	Deadline
Hon Nicola Willis **Minister of Finance**	**Indicate** your decisions on individual initiatives in Annex 1 **Agree** to proposed approach for Budget 2026 decision-making outlined in Table 4 and Annex 2	9 March 2026

Contact for telephone discussion (if required)

Name	Position	Telephone		1st Contact
Tan Lakhawala	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 2 March

Purpose of Report

1. This report updates you on several elements of the emerging Budget package, following your feedback on the current draft package [T2026/319 refers] and seeks your decisions on any package changes that you would like reflected at this stage. It also provides advice on the decision-making pathway for Budget 2026.

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.

   b **Annex 2:** An aggregate package overview as at 6 March 2026, outlining the key initiatives currently included and excluded from the Budget package, and which Budget Ministers meeting we recommend you take decisions at.

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

Table 1: Treasury Advice Week Commencing 2 March

Title	**Description**
Budget Economic and Fiscal Update 2026 - Preliminary Fiscal Forecast [T2026/385]	Provides a summary of the Treasury's 2026 Budget Economic and Fiscal Update preliminary fiscal forecasts completed on 5 March 2026.
Company loans to shareholders – updated advice [T2026/351] [34] March 2026 - Dashboard for Budget 2026 and the Tax and Social Policy Work Programme [T2026/392]	Provides an update on key revenue initiatives and seeks decisions on which options to include in the Budget Package.
Briefings for your Budget Bilateral meetings in the week commencing 9 March: • Budget Bilateral on Vote Health (Hon Brown portfolio) [T2026/411] • Budget Bilateral on Vote Foreign Affairs [T2026/257] • Budget Bilateral on Vote Education (Hon Stanford portfolio) [T2026/390] • Budget Bilateral on Defence and Intelligence [T2026/418] You will receive briefings for the Welfare Reform and Vote Social Development bilateral on Monday, 9 March and Law and Order bilateral on Wednesday, 11 March.	

Current state of the Budget 2026 package

4. Following your decisions in T2026/319 and the Welfare Reform bilateral meeting on 4 March, the current operating package has headroom of $0.1 billion per annum as represented in Table 2 below. The current capital package is oversubscribed against the allowance by $3.6 billion total.

Table 2: Current package as at 6 March 2026

Timing	Savings	Spending (inc. precommitments)	Package	Position against allowance
Week commencing 23 February	$1.3 b operating	$3.3 b operating	$2.0 b operating	**0.4 Under**
	$1.2 b total capital	$8.4 b total capital	$7.2 b total capital	**3.7 over**
Current package (Week commencing 2 March)	$1.2* b operating	$3.5 b operating	$2.3 b operating	**0.1 Under**
	$1.2 b total capital	$8.3 b** total capital	$7.1 b total capital	**3.6 over**

** Note that there will be some change to Welfare Reform costings as integrated costings and updated initiatives are currently being developed post the bilateral meeting. These will be reflected in the package in the next week.*

[33]

5. The operating package is close to being within the $2.4 billion allowance. However, there are both upside opportunities and downside risks.

   a **Upside opportunities**: You are currently considering whether to realise savings from excluding non-administrative internal software expenditure from the Research and Development Tax Incentive. You also have several revenue savings options (e.g., Australian-style bank tax), and options to scale large spending items such as Going for Housing Growth – Pillar 3: Council Incentives for Urban Development.

   b **Downside risks:** The package currently assumes no new operating funding for the Land Transport GPS. There are also new spending proposals that may be added into the package after your bilaterals or Budget Ministers meetings, such as additional funding for Pharmac.

The profile of the Budget package currently supports fiscal consolidation in out-years

6. In the preliminary fiscal forecasts [T2026/385 refers], we have made the standard assumption that the allowance is phased evenly over the forecast period (e.g. there is net $2.4 billion of new spending each year). The final forecasts then incorporate the phasing of the final Budget package.

7. In the current Budget package, spending is slightly frontloaded within the forecast period, while savings increase significantly by the final years of the period. This is driven by [33] in the package, which build up over time.

8. If this profile holds, this is likely to mean that the Budget would have a small negative impact on OBEGALx in 2025/26 and 2026/27, and a positive impact on OBEGALx from 2027/28 onwards. This may be relevant for your fiscal objectives, given the Treasury's preliminary fiscal forecasts show that OBEGALx is broadly balanced in 2028/29.

9. Now that we have the preliminary fiscal forecasts as a base, we will provide you with regular updates on the impact of the Budget package on your fiscal and economic outlook.

Table 3: Summary of the package in each financial year

$ Billions	***2025/26***	***2026/27***	***2027/28***	***2028/29***	***2029/30***
Under / (over) $2.4 billion allowance in each year	(0.0)	(0.4)	0.2	0.9	0.9

Budget 2026 decision-making pathway

10. In last week's package advice, we proposed how to use the three remaining Budget Ministers meetings to agree the Budget package [T2026/319 refers]. However, at Fiscal Matters on Monday 2 March, you agreed to cancel Budget Ministers on 10 March to allow for more time to incorporate decisions out of your Budget bilateral meetings.

11. There are now two Budget Ministers meetings remaining (i.e., Budget Ministers 2 on 25 March and Budget Ministers 3 on 9 April). Table 4 below outlines our revised recommended approach for decision-making for those two meetings.

Table 4: Revised approach for Budget 2026 decision-making

Milestone	Recommended approach	Advice you will receive ahead of this milestone
Budget Ministers 2 (25 March)	At this meeting, we recommend you share the full draft package with Budget Ministers. However, the package does not need to balance at this point. We expect there will be an opportunity at the meeting to make decisions on: • Baseline reduction initiatives; • Votes with limited initiatives (such as Vote Statistics and Vote Public Service). Making these decisions now would ensure you have time to focus Budget Ministers 3 on the significant initiatives. You could also seek a delegation from Budget Ministers to take decisions on these matters ahead of BM3.	In some cases, you have already made decisions on initiatives, which would enable you to seek Budget Ministers' agreement at BM2. For example, in last week's advice, you agreed to the approach for DPMC's cost pressure funding [T2026/319 refers]. On 13 March, we will provide you with a focused set of annexes seeking your decisions on other initiatives that can be confirmed at BM2. On 20 March, you will receive advice on: • Your fiscal strategy, which seeks decisions on operating and capital allowances and short-term intentions. • The capital pipeline for Budgets 2027-2029 to inform your decisions on the capital allowances.
Budget Ministers 3 (9 April)	At this meeting, we recommend: • presenting a package that is within allowances, and • seeking decisions on the remaining parts of the Budget package, which will not be ready to be resolved at BM2 given the level of uncertainty involved (e.g., Transport and Health).	We will seek your decisions on these areas through bilateral briefings and individual annexes following the bilaterals.
Between Budget Ministers 3 and lodgement of Cabinet paper (9 – 20 April)	You are away at the IMF Springs from 13-18 April, as such there is not an opportunity for an additional Budget Ministers meeting. Any decisions not made at BM3, will require a delegation from Budget Ministers to you. We will provide further advice on the appropriate scope of the delegation (including any consultation requirements).	We will provide you with advice on any outstanding parts of the package on 17 April, so that you can make decisions by 20 April. This will allow us to incorporate these decisions into the Budget Package Cabinet paper being lodged on 24 April.

12. Annex 2 provides greater detail on the decision-making pathway on key areas and initiatives, their status within the package, and our recommendation on which Budget Ministers meeting that you use to take decisions on them.

Recommended actions

We recommend that you:

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

b **agree** to proposed approach for Budget 2026 decision-making outlined in Table 4 above, and Annex 2.

Agree/disagree.

Emily Fulford
Unit Manager, Budget

Hon Nicola Willis
Minister of Finance
_____/_____/_______

Vote Oranga Tamariki – Reports of Concern volume pressure

<table>
<tr><td>Vote</td><td>Oranga Tamariki</td></tr>
<tr><td>Initiative ID</td><td>17127</td></tr>
<tr><td>Initiative Title</td><td>Reports of Concern volume pressure – boosting Oranga Tamariki capability through capacity, efficiency and productivity</td></tr>
<tr><td>Contact details</td><td><table><tr><td>Callum Finn Reason</td><td>Analyst</td><td rowspan="2">[35]</td></tr><tr><td>Claire Howard</td><td>Unit Manager</td></tr></table></td></tr>
<tr><td>Issue/ advice sought</td><td>This advice highlights one of two significant Oranga Tamariki (OT) volume pressures and seeks your steer on this initiative in the draft Budget package being discussed at Budget Ministers 2 on 25 March.

In 2024/25, OT saw Reports of Concern (ROCs) increase to 103,038 – a 44% increase on the 74,941 ROCs in 2023/24. ROCs are reports submitted to OT about suspected instances of abuse. If ROCs increase, but social workers' capacity to assess them does not, assessment and response times increase. This can prolong children's exposure to abuse, and extend the waitlist of lower-urgency ROCs. OT has identified several factors driving increased volumes, including: practice changes[1]; [23] and [34] social factors, such as growing online child exploitation or population growth; and economic factors, such as increases to the cost of living and the number of children living in material hardship.

[33]

Note that a related initiative, Initiative 17202 – The Dame Karen Poutasi Response, includes implementation of mandatory training and will likely further increase volumes of ROCs. We will provide advice on this initiative as part of our briefing to inform your second Vote Social Development bilateral with Hon Upston on 11 March. Note the initiatives have been developed together to ensure alignment.</td></tr>
<tr><td>Treasury advice</td><td>We recommend funding this volume pressure in full. If OT's frontline assessment function does not expand its capacity, increased volumes of ROCs will continue to place pressure on social workers' workloads and ROC assessment times, heightening the risk of missed instances of abuse and prolonging children's exposure to abuse. In June 2025, only 55% of OT's social workers reported a caseload within the target limit.[4]

[38]

Any FTE uplift would be complemented by technology efficiencies at OT's National Contact Centre, e.g.: automation of call summarisation, transcription, speech to text, and quality assurance. [34]</td></tr>
</table>

1 For example - a change in OT's approach to recording where additional ROCs for the same person are now recorded as a ROC.

[33]

4 Set at the "green" level of 17 concurrent cases. Almost 30% reported a "red" caseload of 21+ concurrent cases.

	We consider there are significant risks associated with scaling this initiative. If funding is insufficient to manage increased volumes, the risks of missed instances of abuse and prolonged exposure of children to abuse will persist. Should scaling be required, we recommend a top-down reduction (i.e., funding a percentage of the cost pressure), rather than scaling the components of the initiative. This will ensure OT can make decisions to manage demand within funding as needed. **We can provide you further advice about scaling options if requested.**
Treasury recommendation	**Indicate** if you want to: • Include this initiative in the next Budget Ministers package with full funding (*Treasury recommended*): *Yes/No* • Request further advice about scaling options for this initiative: *Yes/No*

Option	***ID***	***Operating ($m)***						***Total Capital ($m)***
		25/26	***26/27***	***27/28***	***28/29***	***29/30***	***Total***	
Current status in package	17127	[33]						

Vote Oranga Tamariki – Complex needs volume pressure

<table>
<tr><td>Vote</td><td>Oranga Tamariki</td></tr>
<tr><td>Initiative ID</td><td>17183</td></tr>
<tr><td>Initiative Title</td><td>Responding to the increasing numbers of children in care with complex needs</td></tr>
<tr><td>Contact details</td><td>
<table>
<tr><td>Callum Finn Reason</td><td>Analyst</td><td rowspan="2">[35]</td></tr>
<tr><td>Claire Howard</td><td>Unit Manager</td></tr>
</table>
</td></tr>
<tr><td>Issue/ advice sought</td><td>
This advice highlights one of two significant Oranga Tamariki (OT) volume pressures and seeks your steer on how you want to treat this initiative in the draft Budget package being discussed at Budget Ministers 2 on 25 March.
In 2024/25, the proportion of children in OT’s care referred for a specialist care response increased from 5.7% to 8.0% (by 91 children), reflecting an increase in the volume of children with severe disabilities and/or aggressive behaviours. These children create a direct demand pressure for OT. Caregivers are often unwilling or unable to care for them, and the National Care Standards create a statutory requirement for OT to provide care tailored to their needs. [33]

[33] and [37]

[33]

</td></tr>
<tr><td>Treasury advice</td><td>
We recommend funding this initiative in full. OT has a statutory obligation to provide specialist care to children with complex needs. We also recommend funding Hon Chhour’s proposals to update the care model, which need fundamental revision to reduce costs and improve services to children.
We expect the caregiving and clinical service components of this initiative to partially mitigate this pressure in the future. Without an update to OT’s care model, this pressure is likely to re-emerge in future Budgets – as it has done since OT’s establishment. If OT can provide more effective early support to the children in its care, and if it can better support caregivers to care for children with high needs, it will have fewer children referred by the frontline for specialist care.
There are risks associated with scaling this initiative. You could provide funding just for a volume uplift, excluding funding to update OT’s model of care. Without measures to mitigate this pressure, however, it is likely to re-emerge in future years. We can provide you further advice about scaling options if requested.
</td></tr>
<tr><td>Treasury recommendation</td><td>
Indicate if you want to:

Include this initiative in the next Budget Ministers package with full funding (Treasury recommended): Yes/No
Request further advice about scaling options for this initiative: Yes/No

<table>
<tr><th rowspan="2">Option</th><th rowspan="2">ID</th><th colspan="6">Operating ($m)</th><th rowspan="2">Total Capital ($m)</th></tr>
<tr><th>25/26</th><th>26/27</th><th>27/28</th><th>28/29</th><th>29/30</th><th>Total</th></tr>
<tr><td>Current status in package</td><td>17183</td><td>-</td><td>20.5</td><td>24.3</td><td>23.7</td><td>25.0</td><td>93.5</td><td>0.8</td></tr>
</table>
</td></tr>
</table>

[33]

Multiple Votes – Energy package

<table>
<tr><td>Vote</td><td>Finance and Energy</td></tr>
<tr><td>Initiative ID</td><td>17318</td></tr>
<tr><td>Initiative title</td><td>Energy package</td></tr>
<tr><td>Contact details</td><td>
<table>
<tr><td>Carly Soo
Ben Quilter</td><td>Senior Analyst
Senior Analyst</td><td>[39]</td></tr>
<tr><td>Kate Williamson
Amanda Wilson</td><td>Unit Manager – Climate, Energy and Resources
Unit Manager – Infrastructure, Security and Government</td><td></td></tr>
</table>
</td></tr>
<tr><td>Issue / advice sought</td><td>You have previously indicated you are interested in an energy package for Budget 2026. This annex provides you with an overview of current initiatives and seeks your direction on whether further work is required.</td></tr>
<tr><td>Treasury advice</td><td>
There are currently two Energy-related initiatives for Budget 2026, both within Vote Finance:
• Gas Transition Loan Guarantee Scheme: This initiative seeks to establish a loan guarantee scheme to facilitate business investment in transitioning away from gas. It is intended to support viable firms that are materially reliant on gas, in reducing gas consumption. You have received further advice on this policy seeking your direction on the design parameters for a loan guarantee scheme (T2026/221 refers).
The current Budget package includes a $100 million operating tagged contingency which would enable a total scheme size of around $2 billion. However, new data suggests that the scheme's likely demand would not reach the $100 million threshold. We expect that these figures will be revised down to a maximum of $50 million, to enable a maximum scheme size between $800 million and $1.2 billion. This reflects new data on the scheme's likely uptake and scope.
• Genesis Energy Equity Raise (pre-commitment): You have announced a pre-commitment of up to $200 million capital to support Genesis to enhance energy security.

Further investments
You have received advice from the Ministry of Business, Innovation and Employment (MBIE) in your capacity as the Minister for Economic Growth regarding potential options to [33] and energy investments. MBIE officials have indicated that the Minister for Energy has directed further work [33]

Cabinet will also be considering other non-spending policy decisions as part of the Energy Package in the coming months. These include improving gas market transparency, strengthening the regulatory framework to address dry year risk, and reducing sovereign policy risk for investors.
</td></tr>
<tr><td>Treasury recommendation</td><td>
Indicate if you want to:
Gas Transition Loan Guarantee Scheme
• Option 1: Revise down the initiative to $50m, considering new information on uptake, noting policy decisions are yet to be agreed by Cabinet – Yes / No
OR
• Option 2: Retain the initiative at $100m, noting demand is unlikely to reach this level – Yes / No

Further Investments
• [33]
</td></tr>
</table>

Vote Revenue – Thin capitalisation rules for infrastructure: return of tagged contingency funding

Vote	Revenue
Item Title	Thin capitalisation rules for infrastructure: return of tagged contingency funding
Contact details	Sam Putt | Analyst [39] Stephen Bond | Manager
Issue/ advice sought	In Budget 2025, you agreed to amend the thin capitalisation rules so that they did not unduly disincentivise foreign investment in New Zealand's infrastructure (subject to subsequent policy decisions). Any loss in revenue due to the change in rules was to be funded through an $85 million tagged contingency charged against the Budget 2025 operating allowance. On 4 March 2026, ECO agreed the policy and approved a drawdown of $42.5 million from the tagged operating contingency. The residual $42.5 million is proposed to be returned to the centre. Absent any other decision, this will improve OBEGALx, but you could also choose to manage this as a saving against the Budget 2026 operating allowance.
Treasury advice	We recommend you return the $42.5 million to the Budget 2026 operating allowance given it was originally funded from the Budget 2025 operating allowance.
Treasury recommendation	**Agree** to return the $42.5 million residual thin capitalisation tagged contingency to the operating allowance: *Yes / No*

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

<table>
<tr><td>Vote</td><td>Vote Arts, Culture and Heritage</td></tr>
<tr><td>Initiative ID</td><td>17251</td></tr>
<tr><td>Title</td><td>New Zealand Screen Production Rebate (domestic) - continued funding</td></tr>
<tr><td>Contact details</td><td><table><tr><td>Britney D’Souza</td><td>Analyst</td><td rowspan="2">[39]</td></tr><tr><td>Claire Howard</td><td>Unit Manager</td></tr></table></td></tr>
<tr><td>Issue/ advice sought</td><td>The Minister for Arts, Culture and Heritage is progressing a Cabinet paper that proposes changes to the domestic New Zealand Screen Production Rebate’s (NZSPR-NZ) settings, including both cost-reducing and cost-increasing changes. On 2 March 2026 (refer T2026/319), you requested further information on the Cabinet paper and its proposals, as well as on options to further scale costs of the NZSPR-NZ.</td></tr>
<tr><td>Treasury advice</td><td>Cabinet Paper: The paper seeks in-principle agreement, subject to Budget 2026 decisions, to the continuation of the NZSPR-NZ, with the following policy changes to improve cost controls whilst also encouraging economic growth and sector sustainability:
• Remove the Additional Rebate available to productions that meet additional tests,
• Lift the per-project cap from $6 million to $12 million,
• Remove the 25% cap on qualifying expenditure on ‘above-the-line’ costs for key creative roles (e.g., main cast, directors, producers and writers), and
• Lower the qualifying spend for feature films from $2.5 million to $1 million.

The proposed cost-increase changes are estimated to increase costs by [37] although costs will be offset by the cost-control option of removing the Additional Rebate. Costs can be managed within current forecasts of $70 million p.a. Further cost control and savings options were also considered in the paper but are not proposed to be progressed due to the flow-on economic impacts to the wider screen sector, including the NZSPR-international. The paper also seeks to continue Budget 2024 time-limited funding of $0.2 million p.a. for the New Zealand Film Commission’s administration costs of the scheme, which expires at the end of 2025/26.

Treasury Comment: We are supportive of the paper overall as it aligns with recent policy changes to the NZSPR-International [CAB-25-MIN-0388], addresses a funding shortfall, and delivers on Cabinet’s request to explore cost control measures for the scheme. However, there is a risk that the true increase in costs could be higher than estimates, particularly over the longer term, leading to unfunded cost pressures which the Crown would be obliged to meet. We are working with the Ministry for Culture and Heritage to better understand the level of this risk and will provide you with further detail on it as part of Ministerial consultation.

Options to further scale costs are available, including tightening eligibility criteria or reducing the rebate rate. However, these options would likely have flow-on impacts to the wider screen sector and would be inconsistent with the Government’s current approach for NZSPR-International.

Next Steps: The paper is due to be considered by ECO on 26 March. The paper seeks decisions in-principle, subject to confirmation through the Budget 2026 Cabinet paper. Alternatively, a precommitment could be made, although we have not recommended this approach as it would constrain Ministerial decision-making on the Budget package. The costings of the NZSPR-NZ initiative rely on the proposals in the Cabinet paper being progressed. Therefore, if there are any delays to Hon Goldsmith’s paper or it is deferred, the decisions could instead be progressed through the Budget 2026 Package Cabinet paper on 28 April. We can provide further advice on the detail of the paper’s proposals through Ministerial consultation ahead of package development for Budget Ministers 2.</td></tr>
<tr><td>Treasury recommendation</td><td>In light of this further information, indicate if you want to:
• Option A: Continue to include the initiative in the package: Yes / No
• Option B: Remove this initiative from the package: Yes / No
<table>
<tr><th rowspan="2">Option</th><th rowspan="2">ID</th><th colspan="6">Operating ($m)</th><th rowspan="2">Total Capital ($m)</th></tr>
<tr><th>25/26</th><th>26/27</th><th>27/28</th><th>28/29</th><th>29/30</th><th>Total</th></tr>
<tr><td>Option A (cost-controls and increases)</td><td>17251</td><td>-</td><td>0.2</td><td>57.5</td><td>70.2</td><td>57.5</td><td>185.3</td><td>-</td></tr>
<tr><td>Option B</td><td>17251</td><td>-</td><td>-</td><td>-</td><td>-</td><td>-</td><td>-</td><td>-</td></tr>
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Vote Labour Market (Immigration) – New funding request to support increased compliance activity

Vote	Labour Market (Immigration)
Initiative ID	N/A
Initiative Title	N/A - New Request
Contact details	Anastasia Wilkes – Analyst John Marney – Manager [39]
Issue/ advice sought	Following your recent discussions with the Minister for Immigration, you received a letter from the Minister on 2 March requesting $3.7 million operating per annum (totalling $14.8 million in new funding over the forecast period). This funding would support increased immigration compliance and investigation activity in the immigration system through funding three new teams of 22 FTE total. This annex seeks your agreement to fund this request in the Budget package.
Treasury advice	The Government made the decision in 2024 to fund the immigration system through levies. The letter from the Minister for Immigration states that there have been increases in non-compliance with immigration rules, migrant exploitation, and asylum cases which have strained system capacity. The existing revenue through levies is not sufficient to meet this demand. In response, the Ministry of Business, Innovation and Employment (MBIE) has already established a new infringement team and reallocated resourcing. However, MBIE has stated this is insufficient to meet their total compliance workload and are unable to fund further resource internally. At 31 December 2025, there were 3,943 undecided asylum claims on hand. MBIE is currently only able to process 1600 claims a year. In October 2025, we advised MBIE that this funding request would not meet the high bar for Crown funding and instead encouraged MBIE to factor the costs into their fee and levy review. Initial work into a fee and levy review is underway, which will take place over the next year. It seeks to raise sufficient revenue for the system through updates to rates. However, additional revenue from the fee and levy review is not expected to become available until late 2027. To enable additional compliance work to begin now, you could decide to provide one-off Crown funding for the next two financial years, with the expectation that the review and subsequent levy revenue would fund compliance activity in future years. If you agree to fund through Budget 2026, a draft letter is attached for you to invite the bid into the Budget process, including a time-limited scaled option.
Decision	Please indicate your preferred option for funding in the Budget package:

Option	***25/26***	***26/27***	***27/28***	***28/29***	***29/30***	***Total ($m)***	***Indicate***
Agree to time-limited scaled funding request into Budget 2026 (Treasury preferred)	-	3.7	3.7	-	-	7.4	*Yes/No*
No new funding through Budget 2026	-	-	-	-	-	-	*Yes/No*
Agree to the full funding request into Budget 2026 (Requested by the Minister of Immigration)	-	3.7	3.7	3.7	3.7	14.8	*Yes/No*

Hon Nicola Willis

Minister of Finance
Minister for Economic Growth
Minister for Social Investment

Hon Erica Stanford
Minister of Immigration
Parliament Buildings

Dear Erica

Thank you for your letter received on 2 March requesting Crown funding to increase immigration compliance and Labour Inspectorate resources. You have requested $14.8 million over the forecast period to fund three new compliance teams of 22 FTE.

I have decided to invite you to submit a 2026 budget initiative for funding for immigration compliance and the Labour Inspectorate. In addition to the full request, please include a two-year scaled option in the submission.

I ask that your officials work with the Treasury to submit this initiative into the Treasury's system by 1pm, **Friday 13 March**, including information on the value for money of the proposal.

Thank you for your continued engagement with the Budget 2026 process and ensuring spending represents value for money.

Yours sincerely,

Hon Nicola Willis
Minister of Finance

Annex 2: An aggregate package overview as at 6 March 2026

Operating package	Operating $ billion p.a.
Spending	2.1
Pre-commitments	1.5
Allowance	(2.4)
Savings	(1.1)
Total package	**0.1 under allowance**

Capital package	Capital $ billion total
Spending	6.1
Pre-commitments	2.1
Allowance	(3.5)
Savings	(0.8)
Total package	**3.6 *over allowance***

Spending/(Savings) – All figures operating average per annum unless otherwise stated. Package status of individual initiatives current as at 6 March 2026							
Vote / Envelope	**Average operating per annum ($m)**	**Total Capital ($m)**	***In* the current package**	***Not in* the current package**	**Next steps**	**Decision at BM2**	**Decision at BM3**
Defence and Intelligence	[33]	700.1	• [33] **operating and $700m capital:** 2nd year Defence Capability Plan investments (plus $102m operating and $1,648m capital for pre-commitment) • [33] **operating**: New spending for intelligence agencies.	• [1] for intelligence agencies • Options to provide additional cost pressure funding – [33] and add to workforce growth -	• You are meeting with Hon Collins on Thursday 12 March to discuss the Defence and Intelligence envelope.		Y
Education (including Education Review Office)	[38]	[33]	• [38] **and $286m capital:** Hon Stanford Education envelope, mostly focused on critical service delivery and investments • **$107m**: Hon Seymour's portfolios which is composed of Healthy School Lunches Programme - **$52m** and ECE Cost Adjustment - **$55m**	• [38] • [38] **and $413m capital:** Scaling and not supported capital investments related to school property maintenance, upgrades, and growth and expansion. • [38] scaling and not supported new spending initiatives in the Education portfolio which Hon Stanford proposes to fund via [38]	• You are meeting with Hon Stanford on Thursday 12 March to discuss the Education envelope. • You are meeting Hon Seymour on Monday 23 March to discuss his Education and Health initiatives (including Pharmac).		Y
Law and Order	300.0	[33] and [38]	You agreed to consider increasing the Law and Order envelope to **$300m** to address critical pressures for Law and Order agencies. • **$119m** Corrections volume pressures to manage prison population growth • [33] and [38] for remuneration pressures in Police - and Corrections - [33] and [38] • **$48m** for other cost pressures. • [33] and [38]	• [33] and [38] Implementing Firearms Reform (National/Act coalition commitment) • [33] and [38] **capital *[Provisional]:*** New Waitakere and Rotorua Courthouses PPP	• Law and Order Ministers submitted a $300m envelope on 6 March. While there is a $300m placeholder in the current Budget package, we have not reflected any changes on which individual initiatives make up the envelope. • You are meeting with Law and Order Ministers on Thursday 12 March to discuss their envelope.		Y

Spending/(Savings) – All figures operating average per annum unless otherwise stated. Package status of individual initiatives current as at 6 March 2026

Vote / Envelope	Average operating per annum ($m)	Total Capital ($m)	*In* the current package	*Not in* the current package	Next steps	Decision at BM2	Decision at BM3
Health	[37]	501.3	*Operating initiatives* • [33] National Bowel Screening Programme • [38] Road Ambulance – Funding Uplift • **$8m operating and** [33] Implementing the Pae Ora (Healthy Futures) (3 Day Postnatal Stay) Amendment Bill • **$6m:** Cyber Security – Core Security Services • **$4m:** Paediatric Palliative Care – Ensuring access to specialist services *Capital initiatives* • [37] Whangārei Hospital Redevelopment • [37] Auckland Southern Site Acquisition for a Future Hospital • [37] National Remediation Programme • Mason Clinic Redevelopment	*Operating initiatives* • **$202m:** Pharmac / Medicines Budget Uplift to enable funding for new medicines • [33] • **$75m:** scaled and not funded cost pressures, including KiwiSaver **- $40m** and scaled cyber security initiative (funded for one year) - **$32m** • [37] Not supported new spending initiatives, [33] Forensic mental health services - [33] and [37] *Capital initiative* • [37] Regional Hospital Redevelopment Phase 2	• You are meeting with Hon Brown to discuss the Health envelope on Tuesday 10 March. • You are meeting with Hon Seymour on Monday 23 March to discuss his Education and Health initiatives (including Pharmac).		Y
Transport	119.2	[33]	• **[PLACEHOLDER]** [33] Government Policy on Land Transport 2027 • **$119m operating and $598m capital:** Rail Network Investment Programme (RNIP) - National Rail Freight Network • **$107m capital:** Rail Network Investment Programme (RNIP) – Metropolitan Rail Networks Overdue Renewals • **($170m) capital:** Rail Network Investment Programme Tagged Contingency reprioritisation	• [33] • There is no funding for expenditure related to **maintenance and renewal of the transport network** as this is assumed to be funded by revenue measures.	• You are meeting with Hon Bishop on Monday 16 March to discuss the Transport portfolio . • Information required for final Transport decisions will be ready only in time to agree a package through BM3, with indicative options presented at BM2.		Y
Baseline reduction initiatives	(484.6)	-	• **($106m):** 2% reduction being progressed through specific initiatives at Budget 2026 • **($378m):** additional 10% reduction to be progressed in future budgets		• We consider initiatives for the 2% baseline reduction are mostly ready to agree at BM2.	Y	
Revenue	(72.3)	6.2	• [33] Fringe benefit tax changes • **$19m:** Foreign investment funds rules reform • **$18m:** Tax and Social Policy Work Programme • **($52m) –** Prudential Levy • **($42m):** Reducing expenditure on donation tax concessions • **($30m):** Additional compliance activities - individuals • **($21m):** Charities integrity package (mostly from changes to donor-controlled organisations)	• [34] Australian-style bank tax • **($100 – $200m):** 15% Stamp duty on non-resident residential property purchases • **($36m):** Taxing new shareholder loans • **(Additional $65m):** Further reducing expenditure on donation tax concessions • **($37m):** Excluding non-administrative internal software expenditure from RDTI (noting you have agreed not to progress other options)	• You have received separate advice on the bank tax, shareholder loans, and on the Tax and Social Policy Work Programme. • You are meeting with Hon Watts on Monday 9 March to discuss revenue matters. • Once a near-final Revenue package is confirmed, we will provide further advice on departmental funding required to support implementation.		Y

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Welfare Reform	[33]		*Savings initiatives*
			• [33]
			• [33] Reduce Temporary Additional Support payments
			• [33] Increasing the minimum Income-Related Rent contribution of social housing tenants to 30% from 1 April 2027 (note this costing will be updated to reflect also applying to temporary/ emergency housing).
			• **($24m):** Invest-to-save for sole parents
			• **($13m):** Income Charging Phase 2
			• [33] Working for Families: simplifying eligibility settings and improving information sharing with Customs
			• [33]
			• **($4m):** Invest-to-save for emergency housing
			
			Spending initiatives
			• [33] Targeted increase to Accommodation Supplement
			• [33]
			•
				Further options being developed
				
				• **$TBC:** Further increases in spending on Accommodation Supplement
				• [33]
				• **$10m:** Food Secure Communities and KickStart Breakfasts – we will reflect this in the package when we receive detailed costings.
				
				[33]
					• Your follow-up welfare reform meetings are on:
					  ○ Wednesday 11 March with Hon Upston on welfare reform and Vote Social Development (including Dame Karen Poutasi response).
					  ○ Monday 23 March with Hons Upston, Bishop, and Potaka on social housing.
					  ○ Tuesday 24 March with Hons Upston and Watts on Working for Families.
					• You will receive advice on further spending options relating to the Accommodation Supplement and In-Work Tax Credit on Friday 20 March.
							Y

Housing and Urban Development	[33]	-	• **$173m: C**ouncil Incentives for Urban Development • [33] • **($92m):** Kāinga Ora Expenditure Reductions	• [33]	• You are meeting with Hon Bishop on Tuesday 24 March to discuss Housing and RM Reform.		Y
Foreign Affairs	63.0	-	• **$57m:** Maintaining funding for International Development Cooperation at the average of the previous three years. • **$6m:** Two ICT and cyber security systems enhancements	• **Additional $128m:** Maintaining funding for the International Development Cooperation as a percentage of Gross National Income. • **$38m:** Offshore Diplomatic Network • **$8m**: Hosting the Pacific Island Forum • [1] and [12]	• You are meeting with Rt Hon Peters on Thursday 12 March to discuss Foreign Affairs.		Y
Tertiary Education	89.5	-	• **$81m:** Tertiary Education Volume Pressures (time-limited until end of 2027/28) • **$9m:** Tertiary Education Price Pressures (only through adjusting the Annual Maximum Fee Movement above CPI)	• **($243m):** Ending the Final-Year Fees Free Scheme • [33]	• You are meeting with Hons Reti and Simmonds on Tuesday 24 March to discuss Tertiary Education.		Y
Arts, Culture and Heritage	46.3	-	• **$46m:** New Zealand Screen Production Rebate (Domestic)			Y	
Oranga Tamariki	49.9	0.8	• **$26m:** Reports of Concern Volume Pressures • **$23m:** Responding to the increasing number of children in care with complex needs		• We have provided advice on these initiatives in this week's Budget advice.	Y	

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Finance	25.1	2.0	• **$25m:** Gas Transition Loan Guarantee Scheme			Y	
Environment	86.2	13.4	• **$79m operating and $13m capital:** Resource Management Reform Implementation Tranche 1 • **$4m:** National Adaptation Plan – National Flood Map • **$3m –** Waste Disposal Levy		• You are meeting with Hon Bishop on Tuesday 24 March to discuss Housing and RM Reform.		Y
Agriculture, Biosecurity, Fisheries and Food Safety Forestry	17.1	-	• **$26m (funded by the International Visitors Levy):** Wilding Conifers Control Programme • [37] • **$8m:** Aquaculture Settlements – Delivering on the Crown's Legislative Obligations	• [33]		Y	
Other	128.8	199.1	• **$24m:** Response to the Dame Karen Poutasi Review • [38] Improving the National Emergency Management Agency's capability to manage the system during crises. • **$15m:** Department of the Prime Minister and Cabinet cost pressure funding • **$8m:** Reducing the Risk of Online Harm to Children • [33] Repayable immigration funding package • **$15m operating and $14m capital:** Modernising the Integrated Data Infrastructure • **$9m operating and $7m capital:** SuperGold Card: official form of identification • **$4m operating and $20m capital:** Border Security – Responding to Increased Smuggling and Protecting the Flow of Trade		• We intend to seek your decision on including a number of minor initiatives on 16 March, to ensure you are comfortable with their status in the package. These will be mostly straightforward and/or relate to Votes you have not received detailed advice on to date.	Y	