The Treasury

Budget 2026 Information Release

September 2026

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[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

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[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

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TE TAI ŌHANGA
THE TREASURY

Treasury Report: Budget 2026 Package Advice - Week Commencing 9 March

Date:	13 February 2026	**Report No:**	T2026/458
		File Number:	BM-2-4-2026-M134735

Action sought

	Action sought	Deadline
Hon Nicola Willis **Minister of Finance**	**Indicate** your decisions on individual initiatives in Annex 1 **Sign** the attached letters at Annex 2 and 3 **Indicate** your decisions on other outstanding initiatives in Annex 4 **Provide** feedback on draft Budget Ministers 2 slides at Annex 5	13 March 2026

Contact for telephone discussion (if required)

Name	Position	Telephone		1st Contact
Thulacksha Thayarooban	Analyst, Budget	[39]	N/A (mob)	✓
Stephen Bond	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 9 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 [T2026/322 refers] and your recent bilateral meetings with several portfolio ministers. It also responds to your request at Fiscal Matters on 11 March for information on how we would approach the forecasting and Budget process in light of the conflict in the Middle East.

2. The annexes attached to this report are:

   a **Annex 1:** Advice on initiatives seeking your steer on the treatment of these initiatives in the draft package for Budget Ministers 2;

   b **Annex 2:** Draft response to Hon Seymour on his request for an invitation into Budget 2026 for additional funding for [37]

   c **Annex 3:** Draft response to Hon Stanford requesting a revised Education package following your bilateral discussion, to be discussed at a subsequent meeting;

   d **Annex 4:** Our assessment and recommendations on outstanding initiatives that have not been surfaced through a bilateral meeting or other Treasury advice. We are seeking your decision on these initiatives;

   e **Annex 5**: Draft Budget Ministers 2 slide pack for your feedback; and

   f **Annex 6:** An aggregate package overview as at 13 March 2026, outlining the key initiatives currently included and excluded from the Budget package.

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

Table 1: Treasury Advice Week Commencing 9 March

Title	**Description**
Taxation and the not-for-profit sector: Interim update and possible lines of communication [IR2026-083]	Inland Revenue's report to you and Minister Watts on Charities and not-for profits initiatives, in response to Minister Watts' direction on those initiatives
Budget 2026 Bilateral on Transport [TR2026/502]	Briefing to inform your bilateral meeting with Hon Chris Bishop on Vote Transport on Monday 16 March

Incorporating impacts of the conflict in the Middle East into Treasury forecasts

4. The following paragraphs respond to your request at the last Fiscal Matters meeting to set out the current forecast process, how we will incorporate the impacts of the conflict in the Middle East, and how late changes to either our understanding of the impacts or Budget decisions could be incorporated.

Current timetable

5. The current timeline for the production of the Treasury's forecasts and Budget decisions is represented in Table 2:

Table 2: Timeline for production of the Treasury's forecasts and Budget decisions

Item	Date
Economic forecasts	1 April
Budget Ministers 3	9 April*
Tax forecasts	10 April
Budget Cabinet paper	28 April
Fiscal forecasts	6 May

** You can seek delegations at Budget Ministers 3 to make further minor changes to the package before Cabinet consideration of the Budget package on 28 April*

6. We intend to incorporate our best judgement as to the impacts of the Middle East conflict into the central forecast that Treasury publishes at BEFU, based upon information available at the time. We also publish alternative scenarios as part of economic and fiscal updates and one of these scenarios will illustrate a more severe economic impact resulting from the Middle East conflict.

Later changes

7. We will produce a set of economic forecasts on 1 April so that agencies can produce their fiscal forecasts but we can still make changes after this date. After 1 April, further information will be available on how the conflict is impacting New Zealand:

   a we can monitor some of the impacts in real-time e.g. oil price data,

   b we will see any reaction from the MPC when they publish the Monetary Policy Review on 8 April.

   c there could be some impact on the March quarter CPI release on 21 April.

8. Beyond this, we would not expect to see much impact on headline measures of economic activity in April or early May, although it could show up in some higher frequency data, such as the Quarterly Survey of Business Optimism (QSBO) on 21 April.

9. Beyond data flows, significant changes in the nature of the conflict could trigger changes in our forecasts. For example, if we have incorporated a 3-month conflict scenario into our central forecast but updated information suggests that the Strait of Hormuz will be closed for 6 months.

10. The way we will approach further changes will depend on the scale and timing of the impact.

11. For the **economic forecasts:**

    a for relatively minor changes, we would not change the economic forecasts after 1 April. We would include the updated information in a descriptive section of the EFU. This can be incorporated relatively late in the process – until mid-May.

    b for more significant changes, we can incorporate into the economic forecasts until late April.

    c In May, we would not make changes to the forecast. We can consider including additional narrative in the BEFU document outlining the new information and its potential impacts.

12. For the **fiscal forecasts**, we can incorporate the flow-on implications of changes to the economic forecasts:

    a If these are made in early April, we would consider asking agencies to re-submit their fiscal forecasts.

    b Beyond mid-April, we would incorporate changes to the economic forecasts by undertaking a top-down adjustments to tax, benefit and net interest forecasts.

13. We would not want to re-open the fiscal forecasts once they are closed on May 6, due to flow-on implications for document production. Beyond this, we would consider some additional narrative separate to the EFU.

14. Previously, for COVID-19, the Canterbury earthquakes and the Global Financial Crisis, we have not re-opened our forecasts but instead relied on transparently reporting a description of how our understanding has changed after forecasts were finalised and scenario analysis. In Budget 2008, we delayed the finalisation of our economic forecasts for late Budget decisions.

Flexibility on Budget decisions after 28 April

15. Any decisions made prior to April 28, including those that impact on 2025/26 expenses, could be charged against the Budget 2025 Between Budget Contingency (or, if that is exhausted, the Budget 2026 allowance).

16. If funding decisions need to be made after 28 April, we would propose managing that with a delegation from the Budget Cabinet paper (or subsequent Cabinet decisions), rather than delaying the Budget paper as a whole. This would effectively isolate the "business as usual" Budget from any subsequent decisions. Such a delegation could be based on:

    a Use of any remaining headroom in the Budget 2026 allowance at the point of Cabinet decisions,

    b Use of the current or a larger between-budget contingency (currently set at $60 million per annum), or a specific tagged contingency set up for this, or

    c Precommitments against Budget 2027.

17. The biggest impact would be on the Supplementary Estimates (which are generally the last opportunity to provide legal authority to spend in 2025/26). Any funding decisions close to Budget Day would be managed by tabling an amendment to the legislation on introduction and a supplementary in-house document, or establishing a broad appropriation.

18. This approach is consistent with the approach taken in 2023 (Cyclone Gabrielle – allocations from the National Resilience Plan), 2020 (COVID-19 – allocations from the Covid Response and Recovery Fund), and 2011 (Canterbury Earthquakes – allocations from the Earthquake Recovery Fund).

Additional communications on the impact of the Middle East conflict

19. Given the size of the recent shock and to promote transparency, we may want to consider raising the visibility of our work on forecasts and scenarios publicly before the release of the BEFU on 28 May.

20. The Fortnightly Economic Update (FEU) is due for public release on 16 March and includes some commentary on recent developments and their impact, with further FEUs due out every two weeks (ie, 30 March, 13 April, 28 April). A special topic could be added to an April FEU on the final economic forecasts for BEFU: this could be in early-mid April as forecasts are finalised on 1 April but late April may be preferable in case we make further changes (and would follow the release of the IMF World Economic Outlook).

21. The full Budget proactive release is due in August 2026. We are currently considering whether to proactively release our recent Middle East conflict work given statements made at the Post-Cab briefing on 9 March.

22. The Reserve Bank of New Zealand have their next OCR decision at the Monetary Policy Review on 8 April and a key speech by the Governor on 24 March, in which she will be talking about the framework the MPC will use to assess the monetary policy implications of the shock. The next set of Reserve Bank forecasts are not due until 27 May with the Monetary Policy Statement.

Update on fiscal strategy advice

23. Preliminary fiscal forecasts show an improvement in the tracks for key fiscal indicators, but there is significant uncertainty, most notably about the effects of the Middle East conflict on the economy and the fiscal position. We have previously advised that you should keep your options open to deliver an operating allowance below $2.4 billion per annum at Budget 2026, with a package of $2 billion per annum deemed feasible.

24. Given increased and likely ongoing uncertainty about global events, having additional headroom will give you the option to respond to any economic impacts the crisis may have (as noted above), and so we continue to advise you deliver a package below $2.4 billion. If this turns out to not be needed, you could use the additional headroom to improve the fiscal position and make faster progress towards your surplus intention.

25. Next week, we will provide advice on your fiscal strategy that will seek your decisions on operating and capital allowances and your short-term intentions. You will also receive a report that:

    a provides an overview of the capital pipeline for Budgets 2027-2029 to support a review of capital allowances, and

    b outlines a medium-term work programme to manage the future capital pipeline.

Approach to Budget Ministers 2

26. You are meeting with the Budget Ministers on 25 March where you have agreed to provide an update on the draft Budget package, and seek their agreement on packages for areas with small spending decisions or baseline savings initiatives only.

27. The draft slides for Budget Ministers 2 are attached to this report and reflects the recommended approach agreed in last week's package advice [T2026/322 refers]. The package outlined in the draft slides also reflect the outcomes of your bilateral and multilateral meetings this week.

28. Following your feedback on this report, on 20 March, we will provide you with an updated draft of the slides for your approval and these will be shared with the Budget Ministers on 23 March (subject to any further decisions you make on the package).

Update on Budget Package following bilateral meetings

29. Following your decisions in T2026/322 and the bilateral meetings with portfolio Ministers this week, the current operating package retains headroom of $0.1 billion per annum as represented in **Table 3** below. The current capital package is oversubscribed against the allowance by $3.6 billion total.

30. The operating and capital packages incorporate concrete package changes from your bilateral meetings. There remain some outstanding issues from those meetings, with most risks of the downside.

31. The package currently includes [33] You have your Budget bilateral with the Minister for Transport on Monday, which will help to bring greater clarity to the size of any potential capital contribution to the GPS (as well as whether any operating contribution is required), and therefore help in making decisions about the broader capital package.

Table 3: Current package as at 13 March 2026

Timing	Savings	Spending (inc. precommitments)	Package	Position against allowance
Current package (Week commencing 9 March)	$1.2b operating	$3.5b operating	$2.3b operating	**$0.1b under**
	$1.2b total capital	$8.3 total capital	$7.1b total capital	**$3.6b over**

**this includes an indicative [33] for the Land Transport GPS*

32. Following your bilateral meetings with portfolio Ministers this week, a small number of changes have been made to the draft Budget package. **Table 4** outlines the changes made and next steps following bilateral meetings with portfolio Ministers.

Table 4: Package changes and next steps following bilateral meetings week of 9 March

Vote	Changes to the Budget package	Next steps
Education	• No changes to the current package. • Possible changes to composition of operating package and to level of capital package.	You have requested updated options for several operating initiatives and have directed the Treasury and the Ministry of Education to create three alternative packages for School Property. You agreed to land on a revised Education package at a second bilateral discussion. To inform decisions at Budget Ministers 3, the second bilateral discussion should be held in the week of Monday 30th March. We have attached a draft letter requesting that the Minister of Education writes to you confirming her final package by 5pm, Tuesday 24 March at the latest.
Defence	• No changes to current package.	We understand there may be a follow up conversation on [1] and [33] but that the package is reasonably settled.
Intelligence	• No changes to current package, but possible changes subject to further discussion with officials.	You have requested further advice and a meeting with officials from the Treasury and intelligence agencies. Your office will set this up for the week beginning 16 March.
Foreign Affairs	• No changes to the current Budget package but possible increases associated with scaled funding for the Pacific Islands Forum and International Development Co-operation. • Funding for other initiatives [1], [12]-[15] and Diplomatic Capability) to be considered via reprioritisation.	Your office will discuss options with the Minister of Foreign Affairs' office, ahead of a second bilateral meeting. We recommend this is no later than the week beginning 30 March.
Law and Order	• Package reflects the Treasury bilateral advice, plus funding for Police – Community initiatives ($2 million) and an indicative Courthouses initiative ($100 million capital). • Further small increases possible from your requests on firearms, police property, [33]	You will receive advice on Friday 20 March on: • Police Property Upgrade Programme • Firearms Reform [33]

Welfare and Social Development	The package has been updated to reflect two changes agreed at your meeting with Hon Upston: • Dame Karen Poutasi response: Operating funding reduced by approximately $7.7 million, recognising that the training component will be funded through an existing tagged contingency. • Jobseeker support 18 and 19 year olds funding shortfall: You have agreed to fund the total cost of $64.8 million, and we have provided an annex seeking your decision on the fiscal treatment of this initiative.	As an annex to weekly package advice on 20 March, you will receive further advice on options to reduce the costs of the SuperGold Card (official form of identification) initiative to the minimum viable level.
Health	The package has been updated to reflect two changes agreed at your meeting with Hon Brown: • Pae Ora (3 day Postnatal stay): $37 million of operating funding provided over the forecast period, with capital funding scaled to $0; • Auckland Southern Site Acquisition: Capital funding of [37] , an increase of approximately [37] following further business case development. Further work to confirm the final funding profile was required for other initiatives agreed at the meeting, including the Road Ambulance funding uplift. We will provide further advice on these via an annex to our 20 March weekly package advice.	33. On Thursday 19 March, the Ministry of Health will provide further advice to Hon Bishop, Hon Brown and yourself with additional information on the Health capital package and a revised package reflecting the discussion at the bilateral meeting. If further decisions are required, we will provide follow up advice. • On Thursday 19 March, the Ministry of Health will provide further advice to the Treasury and Hon Brown on the size of the Health New Zealand funding gap, options to reduce the deficit and cashflow requirements for Budget 2026. Treasury will provide you with covering advice and back pocket notes to support you at Budget Ministers 2. • Your next Joint Ministers meeting with the Minister of Health is scheduled for 1 April.

Other matters

Late initiative on [37]

34. Following discussions at the Social Outcomes Committee, the Associate Minister of Education has written to you seeking a late invitation into the Budget 2026 process to provide [37] . This new spending initiative is proposed to be offset by a new savings initiative, reprioritising an underspend from ECE baselines. We will provide you with advice on these initiatives in the bilateral briefing for Hon Seymour's Education and Health portfolios. In the meantime, we recommend you invite these two initiatives on the basis that the new spending is offset completely by reprioritisation. If you agree to invite these two new initiatives into the Budget 2026 process, a draft response letter is attached for you to sign at **Annex 2.**

Further welfare reform bilateral meetings

35. There are currently two further welfare bilateral meetings scheduled for 23 March and 24 March (on social housing and Working for Families respectively). Given the progress made to date on the welfare reform package, and that there are other more critical bilateral meetings to schedule, we recommend that you combine these meetings into one single further welfare reform bilateral meeting.

Baseline reduction advice

36. We are preparing further advice for you on the implementation of the additional years baseline reduction (the 5% in 2027/28 and further 5% in 2028/29) that has been included within the Public Service Transformation Cabinet paper. This advice will cover next steps for the baseline reduction including any changes that you may want to consider to the scope or guidance to support the FTE target.

37. Given the strong links between the baseline reduction and the proposed FTE target, we are currently planning to provide you with standalone advice at the same time as the planned March report back to yourself and the Minister for the Public Service on the wider Public Service Transformation programme.

38. Decision-making on the baseline reduction programme has been delegated to Budget ministers [CAB-25-MIN-0340]. Any subsequent decisions on scope or adjustments would therefore be expected to be considered through the Budget 2026 process and could be ultimately confirmed either at Budget Ministers 3 or in the Budget 2026 Cabinet paper.

Electricity prices and forecasts

39. At Fiscal Matters on 11 March, you asked for further detail on how we account for electricity costs in our forecasts.

40. We do not generally separately account for electricity costs and their economic impact in our forecasts. We forecast an overall CPI inflation figure, of which electricity costs would be one component. Higher (or lower) CPI inflation has a range of flow-on impacts to the economic and fiscal forecasts (e.g. impacts on forecast consumer expenditure, tax revenue, and benefit rates).

41. As electricity costs are only one component of CPI, the macroeconomic implications of electricity prices in isolation tend to be reasonably small. Furthermore, changes in electricity prices may be reflected in changes elsewhere in the economy or in the fiscal forecasts (such as the generating companies' profits or losses).

42. As part of our engagements with businesses, we ask about the impact of costs on their business. Outside of industry specific materials and labour costs, energy, insurance, transport and rates are often specified as areas of rising costs but are generally not considered a constraint on production for most firms. We will be reporting our findings from the Budget 2026 round of engagement in coming weeks.

43. In the event of a very significant electricity price shock, we would consider whether we need to make adjustments to our forecast to account for any broader impacts.

Recommended actions

We recommend that you:

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

[37]

c If you agree to recommendation b, **sign** the draft letter to the Associate Minister of Education in Annex 2;

d **agree** to combine the two remaining bilateral meetings on welfare reform into a single meeting

Agree / Disagree

e **sign** the draft letter to the Minister of Education requesting a revised Education package in Annex 3;

f **indicate** your decisions on other outstanding initiatives in Annex 4; and

g **provide** feedback on the draft Budget Ministers 2 slides at Annex 5.

Stephen Bond
Manager, Budget Management

Hon Nicola Willis
Minister of Finance

_____/_____/_______

Annex 1: Individual initiatives for decisions

Vote Agriculture, Biosecurity, Fisheries and Food Safety – Wilding Conifers – Scaling the Crown's Investment in the National Control Programme

<table>
<tr><td>Vote</td><td>Agriculture, Biosecurity, Fisheries and Food Safety</td></tr>
<tr><td>Initiative ID</td><td>17131</td></tr>
<tr><td>Initiative Title</td><td>Wilding Conifers – Scaling the Crown's Investment in the National Control Programme</td></tr>
<tr><td>Contact details</td><td><table><tr><td>Lachy Stark</td><td>Senior Analyst</td><td>[39]</td></tr><tr><td>Nicky Lynch</td><td>Manager – Climate, Energy and Resources</td><td></td></tr></table></td></tr>
<tr><td>Issue/ advice sought</td><td>We are seeking to confirm your decisions on this initiative for the draft Budget package being discussed at Budget Ministers 2 on Wednesday 25 March.</td></tr>
<tr><td>Treasury advice</td><td>
Background

The Minister of Conservation submitted a Budget initiative of $104 million over three years to secure existing gains in wilding conifer control. This would fund control activities for 42 management units and expands the scope to cover two new units – Branch Leatham and Wanaka. Including these two management units is anticipated to reduce the programme's whole of life costs by $122.6 million, relative to the current scope.

The Minister's preference is to use higher-than forecast International Visitor and Conservation Levy (IVL) revenue to fund wilding confiders. However, this approach would forgo generating additional fiscal headroom (as Cabinet agreed additional revenue would be used for baseline swaps) and therefore the Minister's approach essentially carries the same fiscal impact as funding via Budget 2026 allowances.

Advice
Investment decision and scope
In general, we support funding (including operating at the additional two sites) as successive quantified cost-benefit analysis indicates the economic benefits of control exceed the costs. For example, modelling identified that under a 'do nothing' option, 25% of New Zealand could be affected by wildling conifers within 30 years, at an economic cost of $4.6 billion (Net Present Value, over 50 years).

However, we recommend revising the agency preferred option to provide $79.2 million for wilding conifer control over three years, which would:

• accelerate the development of an National Pest Management Plan (NPMP) by six months, and
[33]

The main risk to be aware of with our proposed approach is that third party contributions may not materialise at the scale assumed, despite signalled appetite from these parties to increase their co-investment if the Crown commits further investment to control activities. The phased approach to increasing third party contributions over successive financial years and the prospect of the Crown developing regulations under an NPMP that mandate third party contributions may partially mitigate this risk.

Additionally, under a NPMP there is likely to be an ongoing Crown funding requirement as ~80% of land within the control programme is Crown land. As such, accelerating the NPMP by 6 months defers, rather than eliminates, the associated control costs to a future budget.

We recommend fully funding our recommended option from the Department of Conservation (DOC)'s discretionary IVL allocation, which is set at $55 million per annum. This would remove any impact on Budget 2026 allowances and would leave approximately $61 million of discretionary IVL funding remaining for allocation to other conservation priorities across 2026/27 to 2028/29. Our approach requires discussions with the Minister of Conservation.
</td></tr>
</table>

Next steps on the IVL investment plan

DOC and the Minister of Conservation are currently developing an annual IVL investment plan, and we have reiterated your expectation that the plan should include options for funding the wilding conifers initiative. DOC's most recent advice to its Minister did not incorporate this feedback but we understand they are working on doing this for the next version.

However, we have further concerns that proposed investments funded through IVL that we have had oversight of may not represent high impact and value for money new spending, as they do not:

- comply with your previous direction that the plan to focus on fewer, more substantive projects, or
- provide sufficient information for us to effectively assess their relative value for money.

In contrast, the wilding conifers proposal clearly demonstrates benefits and alignment with IVL investment directives. Given this has implications for budget package development, we recommend that you discuss your preferred direction with Minister Potaka ahead of the draft IVL investment plan being provided to Joint Ministers this month. We have provided some draft talking points below to support this discussion.

Treasury recommendation

Indicate your preferred option:

- **Option A:** Fund this initiative through DOC's discretionary IVL allocation (no impact on operating allowances): *Yes / No*
- **Option B:** Fund this initiative through the Budget 2026 operating allowance: *Yes / No*

Agree to discuss this with the Minister of Conservation, before the IVL investment plan is put to joint Ministers: *Yes / No*

Option	***ID***	***Operating ($m)***						***Impact on Budget 2026 operating allowance (average $m per annum)***
		25/26	***26/27***	***27/28***	***28/29***	***29/30***	***Total***	
Option A: Treasury recommended (DOC IVL funded, not budget allowances)	631	-	31.4	33.3	14.5	-	79.2	-
Option B: Agency preferred	403	-	33.0	37.0	34.0	-	104.0	26.0

Talking points

- I am in the process of finalising the package for Budget 2026, this requires making trade-offs to deliver our priorities within the tight allowances we have set as a Government.
- You have requested additional funding to control the spread of wilding conifers and indicated this is a high priority conservation and biosecurity initiative.
- The Treasury has advised that this initiative could be funded through DOC's discretionary IVL allowances from 2026/27 to 2028/29. I understand the Treasury's preferred option would retain approximately $61 million for other IVL investment priorities over this period.
- Given the current fiscal environment, this option appears to provide the right balance of funding high value conservation work and maintaining fiscal prudence. I have previously communicated my expectation that the IVL investment plan should include options to fund wilding conifers.
- Unless a compelling case for alternative investment with clear value for money can be made, my preference is to proceed with funding this initiative through the IVL discretionary allocation.

[33]

[33]

[33]

Vote Finance – Gas Transition Loan Guarantee Scheme

<table>
<tr><td>Vote</td><td>Finance</td></tr>
<tr><td>Initiative ID</td><td>17318</td></tr>
<tr><td>Initiative Title</td><td>Gas Transition Loan Guarantee Scheme</td></tr>
<tr><td>Contact details</td><td>
<table>
<tr><td>Ben Quilter</td><td>Senior Analyst</td><td>[39]</td></tr>
<tr><td>Amanada Wilson</td><td>Unit Manager</td><td></td></tr>
</table>
</td></tr>
<tr><td>Issue/ advice sought</td><td>You have agreed to include a $50 million placeholder (reduced from $100 million previously) in the Budget package for the cost of this initiative [T2026/322 refers]. The initiative was submitted with associated operating costs, comprised of implementation FTE and legal/audit costs. The implementation FTE have been scaled out, but the bid currently still includes legal/audit costs of around $0.1 million per annum.</td></tr>
<tr><td>Treasury advice</td><td>We consider the legal/audit costs that are included in the initiative’s costings can be absorbed in the Treasury’s baselines, given they are very minor. This is consistent with approaches taken in other initiatives, where the implementing agency has sufficient operating baselines to absorb implementation costs.</td></tr>
<tr><td>Treasury recommendation</td><td>
Indicate if you want to amend this initiative to:

Option A: maintain the initiative’s current package status: Yes / No
Option B (recommended): remove legal and audit fees from the 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>Option A (Current status in package)</td><td>17318</td><td>0.05</td><td>50.1</td><td>0.1</td><td>0.1</td><td>0.1</td><td>50.5</td><td>-</td></tr>
<tr><td>Option B</td><td>17318</td><td>-</td><td>50.0</td><td>-</td><td>-</td><td>-</td><td>-</td><td>-</td></tr>
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Vote Justice – Term of Parliament Referendum

Vote	Justice
Initiative ID	17367
Initiative Title	Term of Parliament Referendum
Contact details	Emily McCarthy | Analyst | [39] Shelley Robertson | Manager
Issue/ advice sought	The Ministry of Justice has submitted an initiative through the Budget technical process to return $25 million over the forecast period that was appropriated to cover the costs of a referendum on the term of Parliament. We recommend returning the funding to the Budget 2026 allowance as part of the Budget package.
Treasury advice	In February 2025 Cabinet agreed in principle to hold a referendum on the term of Parliament alongside the 2026 General Election (SOU-25-MIN-0010 refers). It agreed to provide a total of $25 million across financial years 2025/26 and 2026/27 to cover one-off referendum costs. These costs were managed against the Budget 2025 allowance. The Cabinet paper specified that any funding not required for the referendum would be returned to the centre. On 18 February 2026 the responsible Minister told media the referendum is not progressing. However, this is yet to be confirmed by Cabinet. We recommend that the saving should be included in the Budget significant package and returned to the Budget 2026 allowance. This would mean that the Budget Cabinet paper's financial recommendation would include a policy decision to confirm that the referendum is not proceeding. Alternatively, you could ask the Minister of Justice to bring that decision to Cabinet ahead of the Budget Cabinet meeting on 28 April.
Treasury recommendation	**Agree** to include this initiative as a saving in the Budget package *Yes / No*
Referral to other Ministers	**Refer** this annex to the Minister of Justice *Yes / No*

Vote Oranga Tamariki – Complex needs volume pressure scaling options

Vote	Oranga Tamariki
Initiative ID	17183
Initiative Title	Responding to the increasing numbers of children in care with complex needs
Contact details	Callum Finn Reason – Analyst [39] Claire Howard – Unit Manager
Issue/ advice sought	Following our advice highlighting this volume pressure (T2026/322 refers), you requested further advice outlining options for scaling this initiative. The initiative seeks funding to meet demand for staffed care placements for high needs children and to update Oranga Tamariki's (OT) care model for high needs children.

Treasury advice

There are limited options for scaling this initiative. As outlined in our previous advice, OT has a statutory responsibility to provide specialist care to children in its care with high needs. As a result, the increasing proportion of children in OT's care with high needs creates a direct demand pressure.

The Minister for Children has sought $23.4 million average operating funding per annum for this initiative (***Option A***), of which [33] and [37] is to meet additional volumes and [33] and [37] is to deliver improvements to the model of care for high needs children.

Nevertheless, you could scale out some or all of OT's proposals to revise its model of care for high needs children:

Option B [33] and [37] *scale out OT's proposed revisions to its model of high needs care*

- This option would only fund OT to meet existing demand. It would not provide funding for specialist caregiving placements, caregiver support packages, or additional clinical responses.
- This option would fail to address this recurring cost pressure. Instead, it would retain OT's current approach to high needs children, which is costly, does little to prevent needs escalating, and from which children rarely return to more typical care arrangements during their time in care.

Option C ($18.1m p.a.): *scale down funding for OT's proposed revisions by 50%*

- This option would fund marginal changes to the high needs care model and provide scope for the Minister for Children and OT to deliver interventions they consider most likely to be effective within allocated funding.
- By providing 50% scaling, you avoid having to pick and choose which interventions to fund without a clear rationale. This type of scaling is arbitrary by nature.

Overall, we do not recommend either scaling option. We consider that the cost in future years if OT fails to mitigate this trend does not warrant pursuing savings now.

Treasury recommendation

Indicate your preference for:

- **Option A** – providing full funding for this initiative (*Treasury recommended)*: Yes/No
- **Option B** – scaling out funding for revisions to OT's high needs care model: Yes/No
- **Option C** – scaling down funding for revisions to OT's high needs care model by 50%: Yes/No

Option	*ID*	*Operating ($m)*						*Total Capital ($m)*
		25/26	*26/27*	*27/28*	*28/29*	*29/30*	*Total*	
Current status in package (Option A)	17183	-	20.5	24.5	24.2	25.5	94.7	0.8
[33], [37]								
Volume pressures plus 50% of model revisions (Option C)	17183	-	18.5	19.1	17.3	17.4	72.2	0.8

Vote Oranga Tamariki – Reports of Concern volume pressure scaling options

Vote	Oranga Tamariki
Initiative ID	17127
Initiative Title	Reports of Concern volume pressure – boosting Oranga Tamariki capability through capacity, efficiency and productivity
Contact details	Callum Finn Reason – Analyst [39] Claire Howard – Unit Manager
Issue/ advice sought	Following our advice highlighting this volume pressure (T2026/322 refers), you requested further advice about scaling options. In particular, you asked for detail about the balance between frontline and back-office staff, and any opportunities for efficiencies as Oranga Tamariki (OT) hires more frontline staff. The initiative itself seeks [33] average operating funding per annum to meet Reports of Concern (ROCs) volume pressures and create efficiencies in the ROC assessment process, including through technology upgrades (**Option A**). Option A is included in the current package.
Treasury advice	**Scaling options:** Following your feedback, OT has prepared a new option (**Option B**) which scales funding from $26.3m p.a. to $22.6m p.a. by: [33] • proposing a more gradual ASW recruitment drive, with a significant reduction in FTEs sought in year 1 – from 180 to 120 FTEs; and • minor moderation of some assumptions in OT's cost model, such as projected translation rates at each stage from an initial ROC to entry into care. Sought FTEs for this option are 80% frontline roles and 20% back-office roles.[2] This compares to 77% and 23% respectively in OT's original submission. Back-office roles include resource to manage legal and privacy processes associated with ROCs, as well as some time-limited resource to introduce efficiencies to the system. If you wish to scale further, you could also remove funding for some or all of OT's proposals that aim to make the ROC assessment process more efficient (**Option C**). We are supportive of these proposals (totalling ~$4.5 million per annum). They include (1) technology improvements, and (2) partnerships with community organisations to improve information sharing and respond to ROCs where statutory involvement is not necessary, thereby reducing additional ROCs for the same children/families. While Option C would reduce the cost of this initiative in the short-term, any savings would be marginal and partially offset, because OT has baked efficiencies into its cost model. Both Options B and C may be applicable to the cost model for the Dame Karen Poutasi Response (Initiative 17202). Based on your preferred option, we will work with MSD and OT to explore any scaling options for that initiative. **Recommendations:** **If you wish to scale this initiative, we recommend Option B**. Based on OT's additional information, we consider this a low-risk scaling option that retains the goals of the initiative: responding to increased demand and advancing measures to make the assessment process more efficient. **We do not recommend Option C**. Scaling out efficiencies risks making this cost pressure more expensive over time. Any savings would be marginal because OT has baked efficiencies into its cost model, as well as the cost model for the Dame Karen Poutasi Response. If you prefer Option C, we will work with MSD and OT to confirm final costings.

[33]

[2] OT has defined frontline roles as those with routine direct interaction with children, families and/or members of the public.

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<tr>
<td>Treasury recommendation</td>
<td>
Indicate your preference for:

Option A – providing full funding for this initiative: Yes/No
Option B – scaling down funding for FTEs (Treasury recommended scaling option): Yes/No
Option C – scaling down FTEs and scaling out ROC assessment efficiencies: 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 (Option A)</td><td>17127</td><td>-</td><td colspan="5">[33] and [38]</td><td>-</td></tr>
<tr><td>Scaled FTE funding
(Option B)</td><td>17127</td><td>-</td><td>19.8</td><td>25.8</td><td>22.4</td><td>22.4</td><td>90.5</td><td>-</td></tr>
<tr><td>Further scaling (Option C)</td><td>17127</td><td>TBC</td><td>TBC</td><td>TBC</td><td>TBC</td><td>TBC</td><td>TBC</td><td>TBC</td></tr>
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Vote Social Development – Jobseeker Support 18 and 19 year olds funding shortfall (“Returning funding to the Improved Employment and Social Outcomes Support MCA, and Community Support Services MCA”)

<table>
<tr><td>Vote</td><td>Social Development</td></tr>
<tr><td>Initiative ID</td><td>17516</td></tr>
<tr><td>Initiative Title</td><td>Jobseeker Support 18 and 19 year olds funding shortfall (“Returning funding to the Improved Employment and Social Outcomes Support MCA, and Community Support Services MCA”)</td></tr>
<tr><td>Contact details</td><td>
<table>
<tr><td>Alex Harrington</td><td>Principal Advisor</td><td>[39]</td></tr>
<tr><td>Claire Howard</td><td>Unit Manager</td><td></td></tr>
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</td></tr>
<tr><td>Issue/ advice sought</td><td>
At the 10 March Vote Social Development Budget bilateral, you requested further advice on the fiscal treatment of the Jobseeker Support 18 and 19 year olds funding shortfall, and whether there was an option to meet this cost from outside Budget allowances. This initiative is not currently in the Budget package.
Background: In Budget 2025, Cabinet agreed to tighten access to Jobseeker Support and Emergency Benefit for 18 and 19 year olds, generating annual average savings of $40.9 million. Cabinet subsequently agreed in September 2025 to amend components of the policy, including the addition of a parental income test, which reduced the annual average savings from the policy by $16.2 million per year. Cabinet agreed at the time to meet the cost by reducing two departmental appropriations in Vote Social Development, giving time to consider other savings options through Budget 2026.
The Minister for Social Development and Employment proposed in her Budget 2026 submission letter to reinstate the funding in the two departmental appropriations, funded by income support savings being made through Budget 2026.
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<tr><td>Treasury advice</td><td>
We recommend managing the Jobseeker Support 18 and 19 year olds funding shortfall against the operating allowance (Option A). The alternative would be to manage the costs outside Budget allowances (Option B), which would flow through directly to OBEGALx.
Our recommendation is because the funding shortfall was due to Cabinet decisions to change underlying policy parameters, in particular the addition of a parental income test, which was not in the policy and costing originally agreed by Cabinet. It was not due to a forecast change, which are typically treated outside allowances, or an error in the original policy costing. Managing policy decisions such as this outside of the operating allowance will have a negative impact on your OBEGALx trajectory and therefore your fiscal strategy.
</td></tr>
<tr><td>Treasury recommendation</td><td>
Indicate if you want to:

Option A: Manage the cost of this initiative against Budget allowances (Treasury recommended): Yes/No
Option B: Manage the cost of this initiative outside Budget allowances and let it flow through to OBEGALx: 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>17516</td><td>-</td><td>-</td><td>-</td><td>-</td><td>-</td><td>-</td><td>-</td></tr>
<tr><td>Option A</td><td>17516</td><td>-</td><td>16.2</td><td>16.2</td><td>16.2</td><td>16.2</td><td>64.8</td><td>-</td></tr>
<tr><td>Option B</td><td>17516</td><td>-</td><td>-</td><td>-</td><td>-</td><td>-</td><td>-</td><td>-</td></tr>
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Annex 2: Draft response to Hon Seymour on his request for an invitation into Budget 2026 for additional funding for [37]

Hon Nicola Willis

Minister of Finance
Minister for Economic Growth
Minister for Social Investment

Hon David Seymour
Associate Minister of Education
Parliament Buildings

Dear David

Thank you for your letter of 9 March 2026, requesting an invitation into the Budget 2026 process to provide funding for [37]

As you are aware, Budget 2026 is taking place in a tight fiscal environment and global uncertainty and it is crucial that we continue to maintain fiscal discipline to achieve a better future for New Zealand.

As such, the threshold for considering new initiatives is particularly high, with a strong focus on value for money and consideration of funding for initiatives that cannot be deferred to future Budgets. I also welcome suggestions for how existing funding can be reprioritised.

I invite the proposed new reprioritisation initiative for consideration for Budget 2026. I also invite the new spending initiative into the Budget 2026 process on the basis that it is completely offset by the new reprioritisation initiative.

Although I am confirming you may submit these initiatives for consideration, I remind you that an invitation is not a guarantee of funding, and this invitation does not guarantee the new spending initiatives will be included in the final Budget package.

Please ensure your officials share information with Treasury officials as soon as practical and formally submit the necessary information to the Treasury in CFISnet by 5pm, Monday 16th March at the latest.

I look forward to discussing these initiatives at our bilateral discussion on Monday 23rd March.

Yours sincerely,

Hon Nicola Willis
Minister of Finance

Private Bag 18041, Parliament Buildings, Wellington 6160, New Zealand | +64 4 817 6801 | n.willis@ministers.govt.nz

Annex 3: Draft response to Hon Stanford requesting a revised Education package following your bilateral discussion, to be discussed at a subsequent meeting

Hon Nicola Willis

Minister of Finance
Minister for Economic Growth
Minister for Social Investment

Hon Erica Stanford
Minister of Education
Parliament Buildings

Dear Erica

Thank you for the discussion at our recent Budget 2026 bilateral meeting.

We agreed to have a second bilateral discussion to agree to a revised Education package. Details of what I expect to be presented in the revised Education package are included in the readout that has been shared with your office.

I intend to hold our subsequent bilateral discussion for the week of Monday 30 March. Please write to me confirming your final package by 5pm, Tuesday 24 March.

Please also ensure your officials share information with Treasury officials as soon as practical, and formally submit the necessary information to the Treasury in CFISnet by 5pm, Tuesday 24 March.

Yours sincerely,

Hon Nicola Willis
Minister of Finance

Cc Ellen MacGregor-Reid, Secretary and Chief Executive, Ministry of Education

Private Bag 18041, Parliament Buildings, Wellington 6160, New Zealand | +64 4 817 6801 | n.willis@ministers.govt.nz