The Treasury

Budget 2026 Information Release

September 2026

This document has been proactively released and is available on:

- The Budget website from September 2026 to May 2027 only at: **https://budget.govt.nz/information-release/2026**, and on
- The Treasury website from later in 2026 at: **https://www.treasury.govt.nz/publications/budgets/budget-2026-information-release**

Information Withheld

Some parts of this information release would not be appropriate to release and, if requested, would be withheld under the Official Information Act 1982 (the Act).

Where this is the case, the relevant sections of the Act that would apply have been identified.

Where information has been withheld, no public interest has been identified that would outweigh the reasons for withholding it.

Key to sections of the Act under which information has been withheld:

[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).

Accessibility

The Treasury can provide an alternate HTML version of this material if requested. Please cite this document's title or PDF file name when you email a request to information@treasury.govt.nz.

TE TAI ŌHANGA
THE TREASURY

Treasury Report: Budget 2026 Package Advice – Week Commencing 13 April

Date:	17 April 2026	**Report No:**	T2026/782
		File Number:	BM-2-4-2026-M136992

Action Sought

	Action Sought	**Deadline**
Hon Nicola Willis **Minister of Finance**	**Indicate** your decisions on individual initiatives in Annex 1. **Provide feedback** on the draft Budget Ministers slides in Annex 3,	20 April 2026

Contact for telephone discussion (if required)

Name	**Position**	**Telephone**		**1st Contact**
Samantha Putt	Analyst, Budget Management	[39]	N/A (mob)	✓
Stephen Bond	Manager, Budget Management		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 13 April

Purpose of Report

1. This report updates you on the status of the 2026 Budget. It also provides you with an update on the economic and fiscal forecasts. The annexes attached to this report are:

   a **Annex 1**: Further information on specific initiatives, including advice from the Social Investment Agency on proposed monitoring and evaluation recommendations that could be included in the Budget 2026 Cabinet paper;

   b **Annex 2:** Distributional and climate impacts of the Budget Package;

   c **Annex 3:** Draft Budget Ministers 4 slide pack.

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

Table 1: Treasury advice week commencing 13 April

Date	Title	Description
16 April	T2026/721 – International Visitor Levy allocations	Follow up advice after your meeting with the Minister of Conservation on 31 March, including the Wilding Conifers initiative.
16 April	IR2026/112: T2026/813 – Budget 2026 initiatives for the Revenue portfolio	A wrap up report ahead of your meeting with the Minister of Revenue on Monday 20 April.
16 April	T2026/783 – Aide Memoire: Fuel price modelling in the Budget Economic and Fiscal Update	Provides modelling and assumption for oil and fuel prices in the BEFU.
17 April	T2026/754 – Joint Advice on Transport B26 Package	This advice seeks yours and Hon Bishop's decisions on the operating and capital transport package for B26.

Status of your Budget 2026 package

3. Following your decisions over the past week and at Budget Ministers 3, the package is currently balanced at the net $2.4 billion operating allowance and [33]

Table 2: Current package

Timing	Savings and revenue	Spending (inc. precommitments)	Package	Position against allowance
Current Package (Week Commencing 13 April)	$1.3 billion operating	$3.7 billion operating	$2.4 billion operating	At allowance
	$1.2 billion total capital	Up to $7.3 billion total capital	Up to $6.1 billion total capital	Up to $2.6 billion over

Finalising the operating package

4. A small number of outstanding initiatives need final decisions in the next week, either at Budget Ministers 4 on 21 April, or shortly thereafter to allow lodgement of the Budget 2026 Cabinet paper on Friday 1 May. We will give you advice on those outstanding matters on Friday 24 April.

5. The table below sets out the key outstanding areas of your package (setting aside initiatives that could change by less than $25m p.a.), and by how much the funding for each initiative/area could change by, depending on your decisions:

Table 3: Summary of outstanding initiatives for your operating package

Area/initiative	Key choice and decision point	Current status in package ($m p.a.)	Possible range of funding choices ($m p.a.)
Council incentives	Hons Bishop and Seymour discussed this initiative on Thursday 16 April. They may be interested in revising incentives based on how consents compare to existing dwellings. This could include a capped fund of $100m p.a., [34] [34] We will work with the Ministry for Housing and Urban Development (HUD) on options to manage this revised direction within a fiscal envelope. HUD is providing Hons Bishop and Seymour with an aide memoire containing further details on Monday 20 April.	172.9	100 – 172.9 (tentative)
Ending **Final-Year Fees Free** and offsetting initiatives	We have provided advice to you via an annex to this report and are seeking your decision for agreement at Budget Ministers 4.	-	0 – (330.2)
Foreign Affairs – finalising funding decisions on funding package and baseline reduction	We understand Rt Hon Peters is considering a revised mix of initiatives within the $68.8m p.a. envelope you have set. We have provided further advice in an annex in this report on options for including MFAT in outyear baseline reductions.	68.8	42.6 – 101.3
Bank Tax	You are meeting with Hon Seymour to discuss this initiative on Wednesday 22 April.	-	[34]
Energy initiatives	We have provided further advice on options for energy initiatives in an annex. These are the same as options you have previously considered, requested by the previous Minister for Energy.	-	15 – (14.5)

Commercial fuel supply proposals	In agreement with your Office, we have included a placeholder of $200m total operating in the Budget package for a commercial agreement for fuel supply (an upper limit of the likely costs). On the current track, decisions should be made ahead of Budget moratorium. You will receive further advice from MBIE on this next week, including the impact on appropriations.	50	0 - 50
Smaller initiatives	Decisions on smaller initiatives set out in annexes to this report.	Varies	(4) – 41
Maximum possible fiscally-positive changes			[33]
Maximum possible fiscally-negative changes			88.5

6. The package is currently balanced at the net $2.4 billion operating allowance. Based on your decisions on the above outstanding choices, the final package will be in the range of net $1.7 to $2.5 billion.

We understand the Associate Minister of Transport may seek support for regional airlines

7. We are aware that Hon Meager has asked the Ministry of Transport for advice on potential support options for regional airlines, who are facing higher fuel costs in the wake of the conflict in the Middle East. We expect to receive further information about this proposal, including potential costings, on Monday. We have advised the Ministry of Transport that careful consideration needs to be given to ensure that any potential support is timely, targeted, and cognisant of precedent risks.

You have a clear path to a package of $2.4 billion or below

8. If you proceed with at least one of ending the fees-free scheme or a bank tax, [34] The table below summarises some key options you have for that headroom that would minimise fiscal costs or reduce pressure on future Budgets.

9. As previously advised, we recommend you set a higher between-budget contingency in 2026/27. There is no precise level at which to set it, but we have provided the costs for a range of $250 million - $500 million below (compared to $60 million currently). $250 million would provide sufficient funding to manage normal BBC requests, and allows for if existing support measures (such as the IWTC and agency fuel pressures) needed to be funded for a full year, but would not provide headroom for additional measures.

Table 4: Options to use any available headroom in the Budget package

Increase the between-budget contingency in 2026/27:	**$million**
to $250 million	48
to $500 million	110
[33]	
Change approach to managing baseline savings:	
remove outyear baseline savings from the Budget 2026 package	456
manage 4% in each of Budget 26-29 (rather than 2/5/5)	~350
Manage housing CHP costs against the allowance (rather than OBEGALx)	125

10. You could also deliver a package below $2.4 billion. One option you could consider if you do this is whether a lower operating allowance could support a higher capital package within your fiscal constraints, which would allow you to reconsider whether you want to include some currently excluded capital initiatives [37], [33] [37], [33] .

Finalising the Capital package

11. You have fewer outstanding decisions on the capital package.

Table 5: Summary of outstanding initiatives for your capital package

Area/initiative	**Key choice and decision point**	**Current status in package ($m total capital)**	**Possible range of funding choices**
Transport GPS	You have received advice this week that sets out the range of capital funding required from the Budget allowance. [33] is the highest package and would fund a range of resilience projects and [33] , you could fund [33] [33] and some resilience projects [33] .	[33]	
School property – low or medium option	We have provided advice to you via an annex to this report, and are seeking your decision for agreement at Budget Ministers 4.	300	300 - 450
Stats IDI – options for scaling	The Social Investment Agency has provided further advice to you on the implications of scaling this initiative. We are seeking your final decision for agreement at Budget Ministers 4.	13	0 - 13

12. Based on this, your capital package is betwee [33] You previously signalled that you wanted to ensure the package went no higher than the $4 – 5 billion range.

[33]

Options for changing Budget Day

14. You asked under what circumstances we might consider moving Budget Day and what flexibility there is to do so.

A later Budget Day would provide more time to respond to rapidly changing events…

15. The key benefit of a later Budget would be additional time for decision-making. This would give more time to:

    a develop and finalise fiscal elements of the Government's response to the fuel situation; and

    b respond to events as they develop, given the level of uncertainty.

…but the benefits are unclear and a delay may send unintended signals.

16. While theoretically providing more decision-making time, it is not clear that events will settle sufficiently in that an additional week or two would make a substantial difference.

17. There is a risk that delaying Budget Day would raise expectations around potential response measures – particularly if moving Budget Day required a revision to the House sitting calendar (see below).

18. The last time that a Budget was not held in May was June 2000.

A short delay (up to mid-June) is plausible, but would require changing the House sitting calendar and a different approach to the Supplementary Estimates

19. The House is not currently sitting between 29 May and 22 June. This means that a modest delay would require that the House sitting calendar is revised.

20. We have not discussed this with the Leader or the House's Office or the Office of the Clerk, and we expect that there would be further implications for the legislative programme including Budget night legislation.

21. A different approach would also have to be taken to the Supplementary Estimates, as they are normally referred to select committee for three weeks after Budget Day. This would be one or both of:

    a Passing the supplementary estimates under urgency. This last happened in 2002.

    b Introducing the supplementary estimates before Budget Day. This would have consequences for Budget decisions in 2025/26 which would either need to be pre-announced, amended, or removed from the package.

Budget day can theoretically be moved up to the end of July, but doing so would be unusual and have significant consequences

22. The July date is based on the requirement in the Public Finance Act that the main estimates are introduced by the end of July.

23. In this case, the Supplementary Estimates would have to be introduced before Budget Day. There would also be significant implications for the implementation of Budget decisions given initiatives would be announced past the start of the financial year. This may mean more pre-announcements, particularly of fuel response related initiatives.

We do not recommend a change to Budget Day, but ensuring that you have flexibility to respond to events

24. We do not consider the potential and unclear benefits of a later Budget Day outweigh the costs and the delivery risk that it introduces, and so do not recommend changing Budget Day. We also strongly recommend against going beyond mid-June.

25. Most of the Budget package is settled, and there is unlikely to be substantially more accurate information to finalise the small number of remaining outstanding decisions by that point.

26. You are likely to need flexibility beyond any realistic date Budget could be deferred to. This can mean a combination of:

    a A larger between budget contingency (BBC) in 2026/27;

    b Permitting urgent funding decisions in the usual Budget moratorium between Cabinet and Budget Day for drawing down the BBC (noting the potential impacts on the accuracy of estimates or legislation introduced on Budget Day); or

    c Having a clear process for further financial decisions post Budget while events are still unfolding.

27. This advice is based on a continuation of the current situation and uncertainty. A very significant deterioration in events between now and Budget Day could reasonably change this judgement call, as some of the considerations (e.g. the House sitting calendar or the supplementary estimates process) would become less relevant.

Budget 2026 Production Update

28. The Treasury has begun initial work on the Budget 2026 production process, including engaging with your office to finalise timeframes. We propose that the Budget 2026 documents and associated publications will be the same as those used for Budget 2025 (see Table 6 below). Given the truncated production process, there will not be scope to add further documents to this suite.

Table 6: Proposed Budget 2026 documents

Type of document	Product	Comment
Documents required under the Public Finance Act 1989	Budget Economic and Fiscal Update 2026	This document outlines the economic and fiscal outlook, and the material fiscal risks that could affect the fiscal forecasts.
	Fiscal Strategy Report	This report sets out the Government's short-term fiscal intentions, long-term fiscal objectives, revenue strategy, and strategy for managing expenditure, assets and liabilities.
	Child Poverty Report	This report outlines any progress made in reducing child poverty and whether measures in the Budget will affect child poverty.
Required under Standing Orders	Budget Day Speech	This is the speech you deliver at the start of Parliament's Budget debate.
Discretionary communications documents	Summary of Initiatives	This outlines all the spending and savings initiatives included in the Budget 2026 package (apart from those that you have chosen to withhold due to sensitivities).
	Budget-at-a-Glance	This provides a high-level overview of the Budget 2026 package.
	Press releases	These are opportunity for portfolio Ministers to provide further information about key initiatives (or packages of initiatives) in the Budget.
Supporting information	Back pocket Q&As	This document outlines potential questions you will receive on or after Budget Day, and information on how to respond.

29. We will provide more detail on how we intend to approach the documents above and a production timeline in next week's report. This will include when you will receive documents to review and sign off (noting that due to the shortened production process, there will be fewer opportunities to review these documents)

.

30. We have started to receive the 5-year fiscal forecasts from agencies this week, which where applicable will reflect the fiscal impact from the Treasury's economic forecasts on 1 April 2026 and Budget Ministers decisions from the meeting on 9 April 2026.

31. At this point we are still at the very early stages of the process, and several key elements remain incomplete, such as scrutinising the forecast information received to date, receiving forecasts information from New Zealand Debt Management, the completion of our central assumptions (e.g. top-down adjustment, [33]
[33] and reflecting final Budget decisions.

32. While there remains some uncertainty around the outlook for key fiscal indicators, based on what we have seen to date there is a reasonable sense of the direction of travel, which you may find useful as you consider final decisions for Budget 2026.

33. Based on what we know to date, compared to our preliminary fiscal forecasts **we expect the outlook for the operating balance before gains and losses excluding ACC (OBEGALx) to be slightly weaker in the near-term, but revised up in the final two years of the forecast period.** We had previously advised you of the risk that net core Crown debt could be revised up from our preliminary forecast [T2026/642 refers. While some of the risks we highlighted are unlikely to crystalise and we expect upward revisions to OBEGALx, the net core Crown debt track as a share of GDP is still likely to be slightly higher than our preliminary forecasts.

34. Our current view is the updated fiscal forecasts will show OBEGALx return to surplus in 2028/29, and net core Crown debt will start to fall as a share of GDP by the end of the forecast period. The key risks that could alter our current assessment is the impact of final Budget decisions and any fiscal implications that may need to be captured if the economic forecasts are updated to reflect material changes in conditions since 1 April 2026.

35. Over the coming weeks we should be able to provide an indicative update on key fiscal indicator ahead of our forecast finalisation date of 8 May 2026.

The outlook for OBEGALx is expected to be stronger by the end of the forecast period

36. The updated Budget 2026 economic forecasts on 1 April 2026 showed a pick-up in nominal GDP growth in the final years of the forecast period, relative to the preliminary forecasts. As a result, tax revenue forecasts have been revised up. However, this is partly offset by an increase in benefit expenditure largely from an upward revision in CPI. Overall, we expect the updated economic outlook to have a positive impact to the outlook for OBEGALx of possibly around $0.5 billion in 2028/29 and $1.0 billion in 2029/30. These impacts could change if we update our economic forecasts.

37. Overall, the current Budget 2026 operating package continues to track close to the allowance assumed in the preliminary fiscal forecasts. However, when looking at individual years the allocation comes in over in the near-term but under thereafter. If the profile of the current package remains unchanged, we would see a positive impact on OBEGALx of around $0.7 billion in 2028/29 and 2029/30, compared to the preliminary forecasts.

38. The Ministry of Health have completed a review of their volume assumptions for calculating Public Health Acute Services (PHAS) payments they receive from ACC. Engagement between the Ministry of Health and ACC provided Ministers with three options to consider for setting the payment for 2026/27. Given the fiscal implications and potential impact on levies, the Minister of Health and ACC are seeking your direction on the quantum of the increase (a decision is sought in Annex 1). The preferred option would improve OBEGALx by a $0.4 billion p.a. from 2026/27.

[34], [38]. [37]

We anticipate net core Crown debt to follow a similar path

40. At this stage, based on what we know, we anticipate that in nominal terms net core Crown debt is likely to be higher by the end of the forecast period, compared to our preliminary forecast. There are both upward and downward revisions expected to be reflected in our updated forecasts. In summary, these include:

    a. the updated economic outlook is expected to have an adverse impact on net core Crown debt.

    b. the current Budget 2026 capital package which is over the $3.5 billion allowance, and the planned increase to the Budget 2029 capital allowance is expected to increase net core Crown debt by around $0.5 billion in 2029/30.

    c. [33]

41. Net core Crown debt as a share of GDP is expected to peak slightly higher than previously expected but is still expected to start to fall by the end of the forecast period.

42. Some of the previous risks around capital investment we highlighted such as the [33] have not eventuated.

43. We are still awaiting the Board of the New Zealand Superannuation Fund (NZSF) to decide on whether they plan to change their assumption on Expected Fund Return (EFR). While a decision to reduce the EFR will result in an increase in net core Crown debt, we do not anticipate the overall trend (i.e. starting to fall by the end of the forecast period) as a share of GDP to change. We expect the EFR assumption to be revised down from 7.8% to between 7.0 - 7.5%, which would have an impact of roughly $1 - $2 billion (or approximately 0.2% - 0.4% of GDP) impact on net core Crown debt. You have choices to mitigate any impact through altering the level of the Crown contributions, as discussed further below.

Other Matters

Chorus securities

44. In March, you and the Minister for Infrastructure agreed to National Infrastructure Funding and Financing Limited to proceed with the sale of the Chorus Ultra-Fast Broadband securities, subject to achieving satisfactory commercial terms and conditions (T2026/545 refers). This sale is expected to occur in second half of 2026 and provide capital proceeds of around [37] which is currently reflected as a saving item against the Budget 2026 capital allowance (T2026/479 refers).

45. The [37] estimated amount and the final proceeds received by the Crown from the sale are subject to change. Given the uncertainty, the Treasury will provide further advice on how to manage the difference between estimated proceeds and actual proceeds once the sale has occurred.

Impacts of delay in the Public Service Transformation Cabinet paper

46. The Public Service Transformation Cabinet paper (which includes the [33] FTE cap, and other public service reform proposals linked to future baseline reductions) has yet to be considered by Cabinet. Further delays would introduce some sequencing challenges, but do not prevent you from managing planned baseline reductions against the operating allowance.

47. To reflect the savings in the forecast, Ministers will need to receive communication outlining [33] and expectations shortly after Cabinet agrees the Budget. That means if the Public Service Transformation Cabinet paper is further delayed:

    a You would need to proceed with Ministerial letters on baseline reductions separate to communications [33] and the broader reform programme; and

    b it may also be necessary to provide greater clarity through the Budget Cabinet paper on how future savings will be implemented. This could include more detailed articulation of the process for identifying savings, guidance on workforce changes, and expectations around phasing and delivery.

48. The Minister for the Public Service is considering options for a lower public service FTE cap of around 55,000 (compared to the current 60,000 assumption). If a lower cap is adopted, there may be a case for to consider increasing the 5 percent baseline reduction currently signalled for 2028/29 (or extending the baseline savings programme), as the existing settings would not fully capture the level of savings that would be associated with a more ambitious FTE target. Given timing constraints, any adjustment to the baseline reduction would need to occur post-Budget 2026, as it is too late to incorporate changes to the 5 percent target within the current Budget process.

Recommended actions

We recommend that you:

a **Indicate** your decisions on initiatives in Annex 1.

b **Provide feedback** on the draft Budget Ministers slides in Annex 2.

Stephen Bond
Manager, Budget Management

Hon Nicola Willis
Minister of Finance

_____/_____/_______

Annex 1 – Initiative Level Advice

Budget 2026 capital initiatives – Maximising spillover effects

Contact details

Jimmy Bellam	Analyst	[39]	
Thomas Parry	Senior Manager		

Issue/ advice sought

Early in the Budget process, you indicated interest in receiving joint Treasury-MBIE advice on opportunities to maximise the spillover effects of capital investments through Budget 2026 package [T2026/109 refers]. This annex responds to that request, alongside our broader assessment of the value for money impact of the package. Since then, you have also received separate, broader advice on the capital pipeline for Budgets 2027-2029 [T2026/471 refers].

Treasury advice

Spillover economic benefits occur where third parties benefit from the production or use of a good or service. This advice looks beyond the narrow definition of positive externalities to include indirect and long-term effects, such as stronger capability, productivity uplift, or economic resilience. Spillover benefits can boost productivity by spreading knowledge, innovation, and technology, while also enhancing social and environmental outcomes. There may also be opportunities for enhanced labour productivity. Maximising spillover benefits also improves the value-for-money of investments.

We have assessed the Budget 2026 capital package with a view to maximising the spillover benefits. While indirect economic benefits are likely limited for most of the package, the Votes with potential for spillover benefits are:

- **Defence:** Future budget initiatives as signalled in the Defence Capability Plan may have larger opportunities, particularly where defence research and innovation have broader potential applications. However, there are opportunities in current initiatives:
  - Defence Technology Accelerator (Initiative 17226) could enable benefits across industries with potential crossover with Defence interests [33]
[33] .
  - Maritime Fleet Renewal (initiative 17225) staff hiring, to prepare the system for future investment, could result in crossover skillsets.
- **Health**: The construction programme across the Health initiatives may generate some regionally dispersed spillover benefits through job creation. In addition:
  - Waikato Medical School (Pre-committed initiative) establishment costs may have localised construction benefits. While final estimates for ongoing costs are still to be confirmed and [33] we anticipate potential spillover benefits from research activities, particularly where research connects with industry.
- **Education:** School Property (initiative 17121) offsite manufactured building will continue to be used, which may support a demonstration effect for agencies and the construction industry.

We are seeking your direction on whether to include these considerations as financial recommendations in the Budget 2026 Cabinet paper, to reinforce expectations with responsible Ministers and agencies.

Realising spillover benefits will be context-specific and rely on complementary interventions. Approaches for maximising spillover benefits from the same investment quantum include:

- Strategic coordination: across government, regions and industry (including with existing and future investments) and while engaging communities and iwi.
- Innovation policy linkages: creating clusters by co-locating research centres or entities with infrastructure, boosting demand for innovation by seeking R&D outputs, and requiring open data where possible.
- Procurement: leveraging procurement strategies, decision-making, and delivery to maximise economic benefits.

The application of the Government Procurement Rules is a key mechanism for realising the spillover benefits from the capital investments in Budget 2026. From 1 December 2025, Government Procurement Rules require agencies to seek economic benefit to New Zealand in their procurement. This includes

training and skills development; using domestic businesses in supply chains; innovative products or practices; and environmental, social or cultural benefits. Separate MBIE advice in late March outlines early insights on application of these rules.
If you would like to reinforce these messages with your Cabinet colleagues, this could be signalled in the Budget 2026 Cabinet paper alongside more specific financial recommendations.

[33]
[33]

Treasury recommendation

Indicate if you wish to include the following financial recommendations in the Budget 2026 Cabinet paper:

Vote	***ID***	***Financial recommendation***	***Include in the Budget 2026 Cabinet paper***
Defence	17226	**Direct** the Ministry of Defence to consider crossover skillsets in staff hiring, particularly in the Maritime Fleet Renewal initiative in the delivery of Defence initiatives funded through Budget 2026.	Yes / No
	17225	**Direct** the New Zealand Defence Force's report back to Cabinet by July 2027 on the Defence Technology Accelerator initiative to [33]	Yes / No
Education	17121	**Note** the continued use of offsite manufactured building in the School Property initiative may support a demonstration effect for other government agencies and potentially the broader construction industry.	Yes / No
All Budget 2026 capital initiatives	-	**Note** that Government Procurement Rules require agencies to seek economic benefits to New Zealand in procurements above the value thresholds of $100,000 for goods, services and refurbishment works and $9 million for new construction works.	Yes / No
		Note that spillover benefits from Budget 2026 capital investments can be enabled by agency implementation of the Government Procurement Rules, including the minimum evaluation weighting of 10% for economic benefit.	Yes / No

New Zealand Super Fund – options to suspend or reduce contributions

Contact details

Amy Spittal	Analyst	[39]
Simon McLoughlin	Manager	

Issue/ advice sought

On 10 April, we outlined when contributions to the New Zealand Super Fund (NZSF) have previously been suspended or set at a lower rate than the legislated formula (T2026/699 refers). At Fiscal Matters on 13 April, you asked for further advice on potential contribution options and their fiscal implications, in the context of a review of the Expected Fund Return (EFR) assumption that is likely to increase legislated contributions to the NZSF relative to preliminary fiscal forecasts.

We have modelled the fiscal impacts of two options: a suspension for the current forecast period, with contributions resuming in 2030/31, and partial contributions over the current forecast period, phasing up to the size of the projected contribution for 2030/31. This modelling is based on our central BEFU economic forecasts, MSD's BEFU forecasts of New Zealand Superannuation expenses, and the NZSF's forecasts of fund returns and tax payments.

Treasury advice

Suspending or reducing contributions to the NZSF would improve net core Crown debt in the short-term…

All else equal, a suspension of or reduction in NZSF capital contributions over the forecast period would result in higher projected contributions from 2030/31 to make up for the lower fund balances and ensuing reduced investment returns over the period of reduced contributions.

Contributions to the NZSF are capital expenditure and are not charged to the capital allowance. This means that suspending or reducing contributions would reduce the residual cash deficit, reducing required borrowing. The effect on net core Crown debt depends on two opposing impacts: lower contributions and lower interest costs reduce debt, while lower NZSF tax payments (because the fund holds fewer assets) increase debt.

Suspending contributions is projected to result in a $1.9 billion or 0.34% of GDP reduction in net core Crown debt in 2029/30 relative to the status quo. Partial contributions are projected to result in a $0.3 billion or 0.06% of GDP reduction in net core Crown debt in 2029/30The net impact on OBEGALx is the combination of lower interest costs on debt and lower interest and dividend revenue from the NZSF. Suspending contributions has a small positive impact on OBEGALx in the near-term. The partial contributions scenario shows a very small negative impact on OBEGALx as the reduction in interest and dividend revenue outweighs the reduction in interest costs.*Table 1: Impacts of NZSF contribution scenarios on fiscal indicators, assuming a 7.8% EFR*

$millions	**2026/27**	**2027/28**	**2028/29**	**2029/30**
Status quo contributions	201	308	607	721
A. Contributions suspended until 2030/31, 7.8% EFR				
Contributions to the NZSF	0	0	0	0
Impact on net core Crown debt	-200	-507	-1,121	-1,867
Impact on OBEGALx	0	1	12	33
B. Partial contributions until 2030/31, 7.8% EFR				
Contribution to the NZSF	150	300	450	600
Impact on net core Crown debt	-48	-48	-196	-310
Impact on OBEGALx	-2	-6	-7	-3

We expect the EFR assumption to be revised down from 7.8% to between 7.0-7.5%. We present sensitivity analysis in Table 2 showing the effect of an 7.25% EFR on the two options. This is an illustrative assumption. With a lower EFR, contributions to the fund increase because the size of the fund reduces with lower expected returns.

Table 2: Impacts of NZSF contribution scenarios on fiscal indicators, assuming a 7.25% EFR

$ millions	**2026/27**	**2027/28**	**2028/29**	**2029/30**
Projected contribution to the NZSF with a 7.25% EFR	494	625	944	1,078
C. Contributions suspended until 2030/31, 7.25% EFR				
Contributions to the NZSF	0	0	0	0
Impact on net core Crown debt	-500	-1,144	-2,129	-3,281
Impact on OBEGALx	6	21	45	84
D. Partial contributions until 2030/31, 7.25% EFR				
Contribution to the NZSF	250	500	750	1,000
Impact on net core Crown debt	-247	-379	-585	-680
Impact on OBEGALx	3	8	13	19

Under a 7.25% EFR, suspending contributions results in a $3.3 billion or 0.59% of GDP reduction in net core Crown debt in 2029/30 relative to the status quo, whereas partial contributions result in a $0.7 billion or 0.12% of GDP reduction. Under both scenarios, there is a small positive impact on OBEGALx.

A temporary reduction or suspension of contributions could be justified within the Government's fiscal strategy on the basis of reducing near term borrowing and supporting progress toward the debt intention.

… ***but reduce long-term fiscal sustainability***

Reducing or suspending contributions would reduce long-term fiscal sustainability because of deferred contributions and forgone returns. [33]

In summary, net worth would deteriorate over time from reduced contributions due to forecast NZSF investment returns being 3-3.5% above forecast financing costs. Improvements in net core Crown debt in the near term are also reversed over time, as net withdrawals including tax revenue are reduced. However, this assumes that past returns are a good guide to the future, and the magnitude of the long-term impact of a temporary change, especially with partial contributions, is small.

[33]

Credit rating agencies include most of the NZSF's value in their adjusted measures of net debt. Because they look at fiscal sustainability as a whole, there is no difference to ratings for higher debt and higher NZSF balances relative to lower debt and lower NZSF balances.

	If you were minded to reduce or suspend contributions, we recommend that this be communicated as time-limited with the end date specified in advance to minimise the impacts on long-term fiscal sustainability. ***Practical implications for the Fund*** With the NZSF standing at $90 billion at 31 December 2025, a temporary contribution suspension would have a minimal impact on the Fund's investment strategy. However, the Crown would forgo the incremental return the NZSF could be expected to achieve above the cost of the debt, a net return of 6.7% p.a. since inception, based on the 90-day NZ Treasury Bill, though this is expected to be lower in the future. NZSF's general practice is to invest Crown contributions in the Reference Portfolio passive fund mandate, before being allocated across active strategies. A temporary suspension would not materially alter this approach or NZSF's risk profile. ***Implications for Budget 2026 forecasts*** A formal decision on the EFR is expected by the Board of the Guardians of New Zealand Superannuation (Guardians) on 22 April 2026. This decision will be incorporated into BEFU 2026 forecasts. If a decision is not made at the Guardians meeting on 22 April 2026, then the EFR will remain at the current level of 7.8% for BEFU 2026 forecasts. A decision taken after 22 April 2026 would be reflected in the Pre-Election Economic and Fiscal Update. To incorporate any changes to the NZSF contributions in the BEFU forecasts, we would need your decisions by 30 April 2026. We can provide further advice on 24 April for inclusion in the draft Budget Cabinet paper that reflects updated fiscal information and the EFR decision.
Treasury recommendation	**Indicate** whether you would like further advice following the Guardians' EFR decision *Yes / No*

Options to encourage tagged contingency discipline

Title	Options to support policy delivery by improving discipline over tagged contingencies
Contact details	Quintin Jane — Analyst — [39] Bonar Roberston — Principal Advisor
Issue/ advice sought	At Fiscal Matters on Thursday 9 April, you expressed concerns that tagged contingency funding for capital projects is not drawn down quickly enough, and that you have few levers to improve conversion of tagged contingencies into delivery or to return this funding back to the centre or allowances. This annex sets out options to improve discipline over tagged contingencies through stricter enforcement over the expiry of tagged contingencies, to encourage agencies and Ministers to focus on delivery.
Treasury advice	When established, every tagged contingency is given an expiry date. The expiry date should reflect the expected timeframe required to meet the drawn down conditions set by Cabinet. If the expiry date is passed, the funding is returned to the centre. If work to meet the draw down conditions is delayed, the Minister responsible for the policy and the Minister of Finance can jointly agree to extend the tagged contingency expiry date. Most requests for extensions are transacted through the March and October baseline update. In the past, we have recommended accepting requests for extensions to tagged contingencies where a policy originally agreed by Cabinet is still expected to be delivered. However, a tougher stance on these requests for extensions could be taken to incentivise agencies and Ministers to meet the originally agreed deadlines: • Extensions could be granted only in exceptional circumstances (for example, where delays occur due to circumstances outside of the control of agencies). • Where an extension is not granted, you could set the expectation that funding is returned to allowances, and Ministers and their departments have to seek further Cabinet approval (such as through future Budgets) for new funding. This would allow these policies that have not been progressed within previously agreed deadlines to be traded-off with other Government priorities. To achieve this in the short-term, we can provide you with increased visibility and advice on all requests for extensions to tagged contingency expiry dates at baseline updates (the next one is expected to be as part of the Pre-election Economic and Fiscal Update). If you would like to progress this, we recommend you include this expectation in the Budget 2026 Cabinet Paper, to signal to your colleagues that you intend to enforce expiry dates more strongly to encourage better delivery. We can reinforce this with agencies through communications and guidance at the next baseline update.
Treasury recommendation	**Indicate** if you want Treasury to provide increased visibility and advice on all requests for extensions to tagged contingency expiry dates as part of the baseline update process *Yes/No* **Agree** to include in the Budget 2026 Cabinet paper that a tougher stance on tagged contingency expiry dates will be taken, to encourage agencies and Ministers to focus on the delivery of policies *Yes/No*

Social Investment Agency proposed monitoring and evaluation recommendations

The Social Investment Agency (SIA) have assessed a number of initiatives in the package, and provided an assessment of their monitoring and evaluation approach. The annex provides an overview of the SIA's analysis. We are seeking your direction on which monitoring and evaluation requirements you would like included as recommendations for inclusion in the Budget 2026 Cabinet paper.

Vote and initiative	Education – Healthy School Lunches Programme
SIA advice	SIA believe the process focused approach taken by the Ministry of Education to-date has been the correct one, to ensure the programme is operating as intended. Going forward, the Ministry of Education may wish to prioritise development of an evaluation plan to assess the success of the programme in meeting its new objective of addressing food insecurity. As part of this plan and to align with social investment practice, the Ministry of Education could develop a theory of change model for the redesigned initiative. SIA has confirmed ability to advise and support the Ministry in this work.
Recommendations	**Agree to direct** the Ministry of Education to work with SIA to develop a monitoring and evaluation plan alongside an evidence-based theory of change for the pilots and trials component of this initiative by 31 December 2026. This work can inform future decisions about the direction of the Healthy School Lunches programme. *Yes / No*

Vote and initiative	Social Development – Dame Karen Poutasi response: Strengthening the safety nets to identify and respond to children at risk of harm
SIA advice	A full evaluation plan is in development, and MSD are willing to involve SIA in how they monitor and evaluate across this broader programme. As this is a complex programme, the programme evaluation will need to be well-designed to avoid generating a series of siloed intervention-level evaluations.
Recommendations	**Agree** to direct MSD to work with SIA (and OT, Education, and Health as appropriate for relevant components of the package) to develop an evidence-based, programme-level theory of change and monitoring and evaluation plan. *Yes / No* **Agree** that tagged contingency drawdown criteria for years 3, 4, and outyears of the funding for OT include satisfaction of joint ministers (SIA and OT) that OT has sufficient theory of change, monitoring and evaluation plan. *Yes / No*

Vote and initiative	Oranga Tamariki: Reports of Concern (RoCs) volume pressure
SIA advice	The bid is primarily responding to cost pressures. SIA consider that the primarily cost pressure elements should be subject to normal Treasury performance standards reporting. The third component, 'Enabling and accelerating partnering at intake' focuses on improvements to OT's RoC process and can be evaluated for effectiveness. Oranga Tamariki propose to develop a theory of change / intervention logic model and a mixed methods evaluation plan, which is appropriate. SIA would want to see that the theory of change and the monitoring and evaluation plan are focussed on clear, measurable outcomes, to ensure that the initiative reaches at least a Level 2 standard against our Value and Impact Standards. This evaluation should be in addition to any regular reporting processes that Oranga Tamariki can put in place to provide rapid data feedback loops (both internally and with their providers) to track the performance of this additional funding. SIA has confirmed ability to provide technical assistance, review, and advice to Oranga Tamariki on this initiative.
Recommendations	**Agree** to direct OT to work with SIA to develop an evidence-based, programme-level theory of change and monitoring and evaluation plan on the 'Enabling and accelerating partnering at intake' component of this initiative for approval by Joint Ministers (OT, SIA, Treasury) by 31 March 2027. *Yes / No*

Vote and initiative	Organa Tamariki: Responding to the increasing numbers of children in care with complex needs
SIA advice	This initiative responds to the increasing rate of children with high and complex needs entering Oranga Tamariki care. The current model of care has been assessed as costly and ineffective by Oranga Tamariki. SIA takes a strong interest in the effectiveness of the proposed new model, as this will potentially reduce the long-term cost to the state of supporting these children and improve outcomes and life trajectories. SIA believes that urgent priority should be given towards developing an evidence-based, programme-level theory of change (to understand how this new approach will shift the dial for this vulnerable group of children) and a robust measurement and evaluation plan (to understand when and how effectiveness will be assessed) prior to funding draw-down for this initiative, should it be supported.
Recommendations	**Agree** to direct OT to engage with SIA to develop an evidence-based, programme-level theory of change and monitoring and evaluation plan. *Yes / No*

Vote Business, Science and Innovation – Insolvency and Trustee Services revenue reclassification 2026/27 to 2028/29

Vote	Business, Science and Innovation (Commerce and Consumer Affairs)
Initiative ID	17164
Initiative Title	Insolvency and Trustee Services revenue reclassification 2026/27 to 2028/29
Contact details	Connor Haythornthwaite — Analyst John Marney — Manager [39]
Issue / advice sought	You invited funding for the Insolvency and Trustee Service into the Budget 2026 process, and this annex seeks your decisions on the initiative.
Treasury advice	In order to meet its Budget 2024 savings target, the Ministry of Business, Innovation, and Employment (MBIE) put forward an option for Crown funding ($1.6m operating per annum) for the Insolvency and Trustee Service to be replaced with third-party revenue through a new levy on all companies from 1 July 2025. This levy was intended to be introduced as part of the Corporate Governance Amendment Bill. Cabinet decided to progress this option, however, the Bill was deprioritised as part of the reassessment process for the 2025 Legislation Programme. Due to this legislative delay, at Budget 2025, Cabinet decided to provide one year of temporary operating funding to MBIE to cover the costs of administration for the Insolvency and Trustee Service, for the 2025/26 year ($1.6m). Legislative delays are expected to continue for the Corporate Governance Amendment Bill and as such MBIE submitted a new spending initiative in Budget 2026 proposing that either; a) Provides temporary Crown operating funding of $1.6m per annum for 2026/27, 2027/28, and 2028/29 to cover costs until the legislation is passed to enable the levy to be collected, or, b) Progresses the levy through Budget-night legislation and that an additional year of temporary Crown operating funding is provided to cover costs for 2026/27 ($1.6m). We initially recommended that the levy be progressed through Budget-night legislation, but that MBIE self-fund the costs for 2026/27 ($1.6m), rather than receive Crown funding. Officials have since been informed that this initiative has not met the threshold for Budget-night legislation, and therefore a funding gap will continue to exist until the levy can be passed through a different legislative process (such as the Corporate Governance Amendment Bill). We consider the Insolvency and Trustee Service's work to be important as it protects revenue integrity and supports revenue collection. However, given that this request for funding relates to a previous savings proposal taken by Cabinet, we recommend that you direct MBIE to reprioritise within existing baselines to meet the costs for the Insolvency and Trustee Service until legislation is passed to enable a levy to be collected.
Treasury recommendation	**Agree** not to include *Insolvency and Trustee Services revenue reclassification 2026/27 to 2028/29* in the Budget 2026 package. *Yes / No* **Direct** the Ministry of Business, Innovation and Employment to reprioritise within existing baselines to provide for the administration costs for the Insolvency and Trustee Service, until legislation is passed to enable a levy to be collected. *Yes / No*

Vote Business, Science and Innovation (Energy) – Energy portfolio for Budget 2026

Vote	Business, Science and Innovation (Energy)
Initiative ID	N/A
Initiative Title	Energy portfolio for Budget 2026
Contact details	Carly Soo – Senior Analyst – [39] Kate Williamson – Unit Manager
Issue / advice sought	The previous Minister for Energy made a number of proposals for savings and spendings initiatives, most substantially for a loan guarantee scheme (LGS) for residential solar, which we provide advice on below. MBIE has now indicated that the new Minister for Energy wishes to proceed with the same initiatives. We seek confirmation on the following decisions:

Previous request	Status, including previous decisions
Reprioritise $99.4m funding from: • Energy Efficiency & Conservation Authority (EECA) cash reserves ($12m total capital) • Underspends from Warmer Kiwi Homes ($8.5m total operating) • Underspends in the Government Investment in Decarbonising Industry (GIDI) ($54.5m total operating) • Concluding funding for Ara Ake ($24.4m total operating)	You previously agreed to allow EECA retain $12m cash reserves with an expectation that EECA use these reserves in its wider energy resilience support. You agreed to reprioritise funding for some initiatives (below) and return remaining underspends to operating allowances.
… to reallocate $98.0 funding to: [37] c. EECA support for Loan Guarantee Scheme for Gas users ($5.9m) d. Investing in the Community Renewable Energy Fund (CREF) to improve energy resilience through support for solar and battery systems on community sites ($20m) e. Transferring Ara Ake activity to EECA ($3m)	You previously indicated: a. Not confirmed b. Do not support c. Support d. Not confirmed e. Support
Additional requests and decisions	
LNG: • Bring forward funding for LNG Procurement Costs ($3.92m) [37]	You declined both these initiatives. Decisions on LNG will be considered at Cabinet on 28t April. We are providing you advice on this separately.
Solar on Schools: • Reprioritise $20m from GIDI to be appropriated to the CREF to contribute funding for the Energy Package for Schools.	You approved this on 13 April [BRIEFING-REQ-0030996 refers]. We understand announcements are expected early next week.

	These decisions result in [33] of net savings. Given that the energy package has remained in flux, these are not currently reflected in the Budget package. We have excluded decisions on [37] [37] (which would also come from GIDI underspends) as these decisions will occur via Cabinet paper process.

Treasury advice	**We recommend you confirm your decisions on the list of energy reprioritisation initiatives above:**
	• EECA retain cash reserves ($12m total capital) [33] [33]
	• Funding be reprioritised from GIDI to:
	    ○ EECA support for industrial gas loan guarantee scheme ($5.9m)
	    ○ EECA support for transferring Ara Ake functions to EECA ($3m)
	    ○ Support solar on schools ($20m) [BRIEFING-REQ-0030996 refers].
	[37]

	[37]
Treasury recommendation	**Confirm** decisions on Energy reprioritisation for Budget, as outlined above, with [37] of forecast underspends available for returning to the centre. *Yes / No* [37]

	[37]

[33]

[33]

Votes Education and Tertiary Education – Additional Funding for Trades Academies and Youth Guarantee

Vote	Education and Tertiary Education
Initiative ID	17237 and 17342
Initiative Title	17237 Tertiary Education Volume Pressures - Funding Additional Demand 17342 Expanding VET delivery for secondary school students
Contact details	Isabel Dunne, Analyst Mark Hodge, Unit Manager [39]
Advice sought	As part of considering if you wish to end Final-Year Fees Free, you requested advice on options to increase funding for fees-free education at foundational levels and to support vocational education.

Treasury advice

The package includes a total of $25.5 million p.a. in initiatives to support vocational education:

Vote	Initiative	Operating $m p.a.
Education	Expanding vocational education and training (VET) delivery for secondary school subjects / Trades Academies: 2500 more places	$5.9m
	Investing in Industry Skills Boards to develop industry-led school subjects	$3.8m
Tertiary Education	Tertiary Education Volume Pressures: Funding 455 more Youth Guarantee places	$9.9m
	Tertiary Education Price Pressures – Foundational Education subsidy increases: 2% funding rate increase for foundation education	$5.9m

You could scale up these initiatives to increase the number of Trades Academies and Youth Guarantee places. The table below provides costings for different scaled options for up to $23.0m p.a. extra:

Initiative	Option	Additional places	Total places in B26	Additional operating ($m p.a.)
Trades Academies	A	2,500	5,000	$5.3m
	B	7,500	10,000	$11.2m
Youth Guarantee	A	100	555	$2.2m
	B	545	1,000	$11.8m

We consider funding for Trades Academies and Youth Guarantee are among the higher value-for-money programmes to provide greater support for vocational education.

Youth Guarantee provides fees-free foundational education at Levels 1-3 to young adults who have left school with no or low qualifications. Trades Academies involve vocational providers and employers working with schools to provide trades-related tertiary qualifications at Levels 1-3. Trades Academies link to Youth Guarantee and were progressed as a support for Trades Education in 2011 and 2015.

We have previously supported increasing Youth Guarantee and Trades Academies funding to help meet increased demand. We consider funding for these initiatives could be further scaled up. However, demand for these initiatives is not formally modelled and there is a risk that some of the additional funding will be unused. Underspends for Youth Guarantee could be used to meet other cost pressures in the Tertiary Education and Training Multi-Category Appropriation (unless Ministers decided to return this funding to the centre). Underspends for Trades Academies would be returned to the Crown.

Treasury recommendation

Indicate your preferred option for funding Trades Academies:

- Current Status in Package: 2,500 total places: *Yes/No*
- Option A: 5,000 total places: *Yes/No*
- Option B: 10,000 total places: *Yes/No*

Option	***ID***	***Operating ($m)***						***Total Capital ($m)***
		25/26	***26/27***	***27/28***	***28/29***	***29/30***	***Total***	
Current status in package	17342	-	1.7	5.7	8.1	8.1	23.5	0.02
Option A		-	2.6	10.5	15.8	15.8	44.6	0.02
Option B		-	2.6	10.5	23.6	31.5	68.2	0.02

Indicate your preferred option for funding Youth Guarantee:

- Current status in package: 455 total places: *Yes/No*
- Option A: 555 total places: *Yes/No*
- Option B: 1,000 total places: *Yes/No*

Option	***ID***	***Operating ($m)***						***Total Capital ($m)***
		25/26	***26/27***	***27/28***	***28/29***	***29/30***	***Total***	
Current status in package	17237	-	9.9	9.9	9.9	9.9	39.6	-
Option A		-	12.1	12.1	12.1	12.1	48.3	-
Option B		-	21.7	21.7	21.7	21.7	86.9	-

Vote Education – School Property Capital Package

<table>
<tr><td>Vote</td><td>Education</td></tr>
<tr><td>Initiative ID</td><td>17121 & 17122</td></tr>
<tr><td>Initiative Title</td><td>17121 - School Property – Growing and Expanding the English Medium, Māori Medium and Kaupapa Māori Education Portfolio
17122 - School Property – Maintaining and Upgrading the Portfolio</td></tr>
<tr><td>Contact details</td><td>
<table>
<tr><td>Jack Wellwood</td><td>Analyst</td><td rowspan="3">[39]</td></tr>
<tr><td>Milo Brown</td><td>Graduate Analyst</td></tr>
<tr><td>Mark Hodge</td><td>Unit Manager</td></tr>
</table>
</td></tr>
<tr><td>Issue / advice sought</td><td>
This annex seeks a decision on the level of Budget 2026 capital investment in the school property portfolio. As requested at the second Education bilateral discussion, the Minister of Education has submitted two options for additional capital investment in the school property portfolio: a ‘low option’ of [33] and a ‘medium option’ of [37] . These options aggregate both growth and maintenance requirements in the portfolio and regardless of the option selected, all operating implications can be met within the Vote Education envelope.
There are two key components to the Minister of Education’s proposed capital package:
<table>
<tr><th></th><th>Existing baseline funding</th><th>Low option
[33]</th><th>Medium option
[37]</th></tr>
<tr><td>Maintenance (e.g. redevelopments, modifications, water services)</td><td>There is $1.1 billion baseline funding provisioned for maintenance of the portfolio in the next financial year.</td><td>No additional funding for redevelopments; [33] learning support modifications and water services.</td><td>Provides for an additional [37]</td></tr>
<tr><td>Growth (e.g. new classrooms, schools, land)</td><td>There is no baselined funding for new classrooms and schools in the portfolio.</td><td>Provides for an additional [33]</td><td>Provides for an additional [33]</td></tr>
</table>
</td></tr>
<tr><td>Treasury advice</td><td>
We recommend that capital investment in school property is limited to the [33] .
We consider the low option balances fiscal constraints with short term maintenance and growth pressures, and recognises the context of the relative funding provisioned for school property in previous Budgets. Across Budgets 2024 and 2025, over $1.2 billion of additional capital investment was provided for growth pressures, alongside sizeable operating uplifts to depreciation funding ($780m total in Budget 2024 and $100m in Budget 2025). We consider existing baseline funding for redevelopments to be sufficient to maintain the redevelopment pipeline.
If your preference is to fund the medium option, we do not have concerns as to the value or deliverability of this option. Unlike previous Budgets, the school property division now has a prioritised list of projects that it would pursue if further funding was provided. Early investment in redevelopments prevents the need for more costly replacements in the future, and a pivot to the use of offsite manufactured buildings; and standard and repeatable designs has lowered delivery timing and cost risks.
The Minister for Infrastructure supports the medium option [37] and additional spending on land acquisition [37]
At Budget Ministers 3, Hon Bishop (in his Minister for Infrastructure capacity) agreed to discuss the Education capital package with the Minister for Education ahead of Budget Ministers 4. Hon Bishop has indicated a preference for the medium option [37] with an additional [37] land acquisitions for a new school in Queenstown. [37]
The Treasury has previously noted that cost-escalation of land presents one of the highest barriers to future developments, and we continue to support well-considered early acquisition of land. If further
</td></tr>
</table>

funding is provisioned for school property (beyond the two presented options), we consider that this is best spent on land acquisition.

Although Queenstown is forecast to experience growth, and has historically experienced significant increases in land prices, the case for specific prioritisation in Queenstown over other regions is not clear. If further funding is made available, we recommend it be provisioned generally (and not tagged to Queenstown) to ensure land acquisition occurs in the highest priority areas.

Future capital investment in schools should be informed by further work on the network policy settings

Despite cost reductions in the delivery of school property infrastructure, the development of the Long-Term Investment Plan for school property this year has highlighted that under current network policy settings (e.g., zoning policy, class sizes, and the total number of schools) approximately $1 billion per Budget is required to deliver fully fit-for-purpose school property services.

[33]

Treasury recommendation

Indicate your preferred level of investment in the school property portfolio:

- **Option A** (Treasury recommended): 'low option' of [33] :*Yes/No*
- **Option B**: 'medium option' of [37] *Yes/No*

AND;

Indicate your preferred level of additional investment for land acquisition:

- **Option A** (Treasury Recommended)**:** Provision an additional [37] to be available generally for strategic land acquisition *Yes/No*
- **Option B:** Provision an additional [37] and ringfence funding for use in Queenstown: *Yes/No*
- **Option C:** No funding for land acquisition: *Yes/No*

Option	***ID***	***Operating ($m)***						***Total Capital ($m)***
		25/26	***26/27***	***27/28***	***28/29***	***29/30***	***Total***	
[33] and [37]								

Vote Foreign Affairs – Possible baseline reduction rates

<table>
<tr><td>Vote</td><td>Foreign Affairs</td></tr>
<tr><td>Initiative Title</td><td>Possible baseline reduction rates for MFAT</td></tr>
<tr><td>Contact details</td><td><table><tr><td>Jack Kelleher</td><td>Graduate Analyst</td><td>[39]</td></tr><tr><td>Thomas Parry</td><td>Senior Manager</td><td></td></tr></table></td></tr>
<tr><td>Issue/ advice sought</td><td>You have indicated that you wish to include MFAT in outyear baseline reductions. However, you have indicated that you want to consider excluding the International Development Cooperation (IDC) portion of their baseline to focus on departmental costs.</td></tr>
<tr><td>Treasury advice</td><td>
Baseline reductions are applied on an agency's eligible base, which strips out non-discretionary spending and provides a consistent basis for allocating targets. As previously advised, we have taken a series of steps to exclude non-discretionary spending from a baseline reduction (e.g., capital, BOREs). MFAT's eligible base totals $1519.9 million p.a. over the forecast period, and is comprised of two main components:

The IDC, which comes to $948.8m p.a.
MFAT's remaining departmental funding of $571m p.a.

On balance, we recommend including IDC funding in MFAT's eligible base. IDC funding is largely discretionary, and unallocated for the 2027/28 triennium, giving MFAT greater ability to reduce it. However, there are diplomatic and relational risks to cutting the already decreasing IDC baseline, which partially offset the savings benefits. In particular, the Pacific represents 64% of New Zealand's aid spend, [34] .
Contributions to some multilateral funds are also expensed against IDC funding, creating disproportionate impacts if reduced. For example, the World Bank plans to deliver $25 of resource for every dollar of New Zealand's 2025 International Development Association pledge, which was $65m over three years.
We consider that there is scope for departmental savings, with funding growing 52% since 2017/18. A higher level of required savings will require trade-offs, [33]
[33]
The Minister of Foreign Affairs would have discretion over where savings should be sought – including from IDC, even if it is not in the eligible base.
Should you wish to include MFAT in baseline reductions, savings would be offset by new spending proposed in the Budget 2026 package. You have indicated you are comfortable with a $68.8m p.a. ($275m total) operating uplift for MFAT. The table below sets out MFAT's savings targets and net baseline impact by the end of the forecast period with its IDC included or excluded:
<table>
<tr><th>Option and total eligible base</th><th>5% reduction</th><th>Total 10% reduction</th><th>Net MFAT baseline impact by 29/30</th></tr>
<tr><td>IDC included: $1519.9m p.a.</td><td>($76.0m)</td><td>($152.0m)</td><td>($83.2m)</td></tr>
<tr><td>IDC excluded: $571.0m p.a.</td><td>($28.6m)</td><td>($57.2m)</td><td>$11.6m</td></tr>
</table>
</td></tr>
<tr><td>Treasury recommend ation</td><td>
Indicate your preferred option to include MFAT in outyear baseline reductions:

Option A: Include with eligible base as initially calculated, including IDC ($76.0m p.a. per 5% savings target): Yes/No
Option B: Include without IDC (totalling $28.6m p.a. per 5% savings target): Yes No
Option C: Exclude MFAT from baseline reductions: Yes/No

AND;
Indicate the financial year from which you want to apply baseline reductions from:

Option A: 2027/28 (two 5% reductions): Yes/No
Option B: 2028/29 (5% reduction): Yes/No

</td></tr>
</table>

Vote Health – Reprioritise funding for Legal Expenses

Vote	Health
Initiative ID	17574
Initiative Title	Technical Initiative - Reprioritise funding for Legal Expenses
Contact details	Sophie Martin — Analyst Jess Hewat — Manager [39]
Issue/ advice sought	The Minister of Health has submitted a late technical initiative to reprioritise 36], from the Ministry of Health's baselines (the *Stewardship of the New Zealand health system* appropriation) to address cost pressures in the Legal Expenses appropriation in 2025/26. [36], [38] [36], [38] High Court decision in the NZ College of Midwives v the Attorney-General. As you have already approved the technical initiatives for Budget 2026 (T2026/665), we are seeking your agreement to include this initiative in the technical package.
Treasury advice	We recommend you include this initiative in the technical package. It is fiscally neutral, so there is no impact on your fiscal indicators or allowances.
Treasury recommend ation	**Agree** to include this technical initiative in the package: *Yes/No*

Vote Health – Forensic Mental Health Services

<table>
<tr><td>Vote</td><td>Health</td></tr>
<tr><td>Initiative ID</td><td>17120</td></tr>
<tr><td>Initiative Title</td><td>Forensic Mental Health Services</td></tr>
<tr><td>Contact details</td><td><table><tr><td>Chris Brunt</td><td>Senior Analyst</td><td>[39]</td></tr><tr><td>Jess Hewat</td><td>Manager</td><td></td></tr></table></td></tr>
<tr><td>Issue / advice sought</td><td>At the bilateral meeting on 8 April, you agreed with the Minister of Health:

To write to the Ministers of Corrections and Mental Health asking for a fast-tracked work programme to put the provision of Forensic Mental Health Services (FMHS) on a more fiscally sustainable footing.
That a small amount of capital [37] could be met from the Health Budget 2026 capital envelope, and the current operating FHMS cost pressures should be funded via reprioritisation of the Mental Health and Addiction (MH&A) Ring Fence.
That any funding allocated at Budget 2026 should not incur ‘sunk costs’ that will be superseded by changes to the FHMS model progressed before Budget 2027.

We asked the Ministry of Health (Ministry) to develop a revised Budget 2026 submission that met these asks. Despite our request, this has not been shared with us. We understand that the Ministry are still working up options for both reprioritisation and any new capital funding, and that these are being provided to Ministers Brown and Doocey this weekend and will (presumably) subsequently be shared with you.</td></tr>
<tr><td>Treasury advice</td><td>Options for Budget 2026:
You essentially have two options. Arguably, the easiest way through (and the Ministry’s preferred option) is to put the FMHS initiative on a longer track and confirm reprioritisation from the MH&A ringfence after the Budget Moratorium via a Joint Ministers paper. The capital funding held in a tagged contingency can be drawn down at this time pending information about deliverables. This does limit your ability to make specific announcements at Budget 2026.
Alternatively, you can action this initiative through the Budget Cabinet paper to announce on Budget Day. We can, with your direction, push the Ministry to provide the required information to include this initiative in your Budget Cabinet paper (you will receive a draft on 24 April). Given the time constraints, there is risk that the quality of submission is low.

Fast-tracked work programme and implications for Budget 2027:
Regardless of any interim funding provided at Budget 2026, the pressure on FMHS will continue to accrue without significant policy change. A clearly commissioned, fast-tracked work programme is needed to improve the long-term fiscal sustainability of FMHS. We have attached a draft letter for you and the Minister of Health to send to the Ministers of Corrections and Mental Health to commission this work. It will be referred to the Minister of Health for his signature also.
For completeness, we note the Ministry’s preliminary view that the fast-growing prison population means that even a successful reform programme would not result in savings to be returned to the centre. We can interrogate this further once it gets underway but note that even work to reduce future cost growth would be worthwhile in-and-of-itself.</td></tr>
<tr><td>Treasury recommendation</td><td>Indicate if you want to:

Option A: Agree to a longer track for the FMHS initiative, and establishment of a tagged capital contingency of [37] (noting it limits your ability to make specific announcements at Budget 2026): Agree/Disagree.
Option B: Direct the Minister of Health to accelerate work on this initiative to allow for announcements at Budget 2026: Agree/Disagree.

Sign the attached letter to the Ministers of Corrections and Mental Health.</td></tr>
</table>

Hon Nicola Willis

Minister of Finance
Minister for Economic Growth
Minister for Social Investment

Hon Mark Mitchell, Hon Matt Doocey
Ministers of Corrections and Mental Health
Parliament Buildings

Dear Mark and Matt

Thank you both for your efforts in developing the Budget 2026 package. We have made significant process and will shortly be tabling the final Budget 2026 package at Cabinet.

We are writing to you both about Forensic Mental Health Services (FMHS). As you are aware, Cabinet has set tight operating allowances for Budgets 2026 and 2027. Managing within these constraints is challenging, and a very high threshold is being applied for new spending proposals. Therefore, we are managing cost pressures for services, including FMHS, with a strong focus on fiscal discipline and sustainability.

We have agreed to provide interim funding for FMHS at Budget 2026 to address the most immediate capacity constraints. However, we understand from officials that, without policy change, pressures are likely to continue to build. There is a pressing need for a policy work programme that ensures the fiscal sustainability of these services.

We invite you to develop a joint work programme to improve the long-term sustainability of FMHS. We ask that Health NZ and Corrections report back to Cabinet by February 2027 on the progress of this work programme, and the fiscal implications.

Yours sincerely,

Hon Nicola Willis	Hon Simeon Brown
Minister of Finance	**Minister of Health**

Cc Audrey Sonerson, Director-General of Health, Ministry of Health
Cc Jeremy Lightfoot, Secretary and Chief Executive, Department of Corrections

Treasury:5279014v2

Vote Health – Health NZ Digital Investment Proposal

<table>
<tr><td>Vote</td><td>Health</td></tr>
<tr><td>Initiative ID</td><td>N/A</td></tr>
<tr><td>Initiative Title</td><td>Health NZ Digital Investment Proposal</td></tr>
<tr><td>Contact details</td><td><table><tr><td>Allyn Robins</td><td>Analyst</td><td rowspan="2">[39]</td></tr><tr><td>Jess Hewat</td><td>Manager</td></tr></table></td></tr>
<tr><td>Issue / advice sought</td><td>
The Health Digital Investment Plan was approved in principle by Cabinet in October 2025. Since then, Health NZ has identified a set of high-priority investments over the next three years focused on stabilising and modernising critical systems. While their expectation is that these investments will become self-funding beyond a three-year horizon, operating funding support is needed in the interim and Health NZ is seeking to draw on $300 million from its cash reserves to provide $100 million of operating funding per annum for each of the next three years.
The Ministry of Health (the Ministry) and Treasury have identified three options for actioning this, all of which use funding from Health NZ’s depreciation underspend [H2026081258 refers]:

Option A: Health NZ draws on its cash reserves directly. This will increase Health NZ’s operating deficit. (Treasury recommended)
Option B: Health NZ returns $300m of equity to the Crown to be returned via a tagged contingency of $100m p.a. (Ministry recommended)
Option C: Health NZ returns $300m of equity to the Crown to be returned via $100m operating funding increases for 2026/27, 2027/28, and 2028/29.

<table>
<tr><th>Impacts</th><th>Option A (Health NZ self-manages)</th><th>Option B (tagged contingency)</th><th>Option C (operating funding appropriated)</th></tr>
<tr><td>Impact on Crown finances</td><td colspan="3">$100 million per annum impact on OBEGALx for next three years</td></tr>
<tr><td>Impact on Health NZ deficit</td><td>Increases Health NZ deficit by $100m p.a. for next three years</td><td>No impact</td><td>No impact</td></tr>
</table>
</td></tr>
<tr><td>Treasury advice</td><td>
We support the need for digital transformation in Health NZ, but note we are not yet confident that the investments proposed by Health NZ will reliably generate sufficient benefits to render them self-funding after three years. Ministers could approve a lower funding amount to reduce the risk of ongoing costs. However, the investments are time-sensitive and address areas of urgent need. Treasury therefore recommends the full quantum be provided via Option A. While Option A will increase Health NZ’s deficit, we believe this is a more transparent signal of the impact that all three options will have on Health NZ’s cash position and expenditure. If you wish to pursue an option that also minimises transaction costs but does not impact Health NZ’s deficit, then Option C is most appropriate.
Although Option B (tagged contingency) theoretically provides greater control of the expenditure of funds (and is the Ministry’s preferred option for this reason), in practice tagged contingencies in Health have rarely enabled more effective oversight and all options allow conditions to be imposed on use of the funding. Health NZ will provide detailed reporting on delivery and costs under all scenarios, and Option A (Health NZ self-manages) provides greater flexibility for you and Minister Brown to pivot as more information becomes available, as well as reducing transaction costs.
We understand that the Minister of Health is keen to take funding decisions now so that these investments can be announced alongside the Budget. However, the business cases have not yet been finalised and will likely not be complete until June 2026. Announcing these investments before final decisions are taken creates risks, as these investments may not eventuate to the scale or scope originally planned or may change direction. The Budget Cabinet paper will seek delegated approval for you and the Minister of Health to take decisions on the business cases.
</td></tr>
</table>

Treasury recommendation	**Agree** to Health NZ spending $300m over the next three years to deliver priority digital projects: Yes / No **Indicate** your preference on the funding mechanism: • Option A: Health NZ self-manages **(Treasury recommended):** Yes / No • Option B: Equity transfer into tagged contingency **(Ministry of Health recommended)**: Yes / No • Option C: Equity transfer into appropriated operating funding: Yes / No

Vote Health – Public Health Acute Services

Vote	Health
Initiative ID	-
Initiative Title	Public Health Acute Services
Contact details	Allyn Robins – Analyst Jess Hewat – Manager [39]
Issue / advice sought	This annex seeks your decision on the quantum of the 2026/2027 increase to the annual Public Health Acute Services (PHAS) payment from ACC. The PHAS payment is made from ACC to the Crown via the Ministry of Health and covers the cost of emergency health services provided to ACC recipients, as well as other services like renal dialysis. Following a review of PHAS which suggested that the 26/27 payment should increase by over 50%, **Minister Simpson and Minister Brown are seeking your direction on the appropriate quantum, given the fiscal implications and potential impact on levies.** We will update the BEFU forecasts in line with your direction on this annex if required.
Treasury advice	At the direction of Minister Brown, the Ministry of Health examined the most recent available actuals to review their volume assumptions for calculating PHAS, which concluded that the costs for 2023/24 were underestimated by approximately $500 million. They applied cost pressure and inflation uplifts to this figure to obtain a new 2026/27 estimate, recommending a ~54% year-on-year increase to the PHAS payment. ACC have objected to this result [35] . Engagement between ACC and MoH has produced three agreed options for setting the 26/27 payment: • **Option 1:** Stick to previous PHAS calculation methodology ($33m increase over 25/26) • **Option 2:** Use the number indicated by the volume review ($572m increase over 25/26) • **Option 3:** An interim increase of "around $200m" for 26/27, with a deeper review to take place later to determine the 'true' cost and potentially further payments once this work is complete. **While OBEGAL-neutral, any increase to ACC's PHAS payment to the Crown will increase core Crown revenue which will have a positive impact on OBEGALx.** Our understanding is that Minister Brown has expressed a preference for Option 2, and ACC and MoH have submitted BEFU forecasts reflecting this option. If you select a different option, BEFU forecasts will need to be revised. While we acknowledge ACC's methodological objections, estimating the cost of Public Health Acute Services is a complex and inherently imprecise endeavour. Although improvements to the calculation are always possible, we judge that Option 2 likely represents a closer estimate than Options 1 and 3. **Treasury therefore recommends that you support Option 2** [37], [37] **t** [34], [37] We note that two-thirds (63%) of PHAS are paid by the Non-Earners' Account, which is funded by a non-departmental appropriation and is already in deficit. There is no agreed-on mechanism to mitigate the impact of PHAS changes to the Account and funding uplifts are capped at 7.5% per annum (unless Ministers agree otherwise). The remaining 37% of PHAS is paid out of levied accounts. **A large PHAS increase may therefore result in higher ACC levies and increases the risk that funding uplifts beyond the cap (with corresponding negative OBEGALx impacts) are needed for the Non-Earners' Account in future.**

<table>
<tr>
<td>Treasury recommendation</td>
<td>Indicate your preference for a 26/27 PHAS increase:

Option 1: Previous methodology ($33m): Yes / No
Option 2 (Treasury recommended): Full amount from the volume review ($572m): Yes / No
Option 3: “Middle option” of “around $200m” with further work and potentially further payment in 26/27: Yes / No

<table>
<tr><th>Option</th><th>Total 26/27 PHAS payment ($m)</th><th>The size of the positive OBEGALx impact ($m)</th></tr>
<tr><td>1 (standard)</td><td>1,087</td><td>33</td></tr>
<tr><td>2 (volume review)</td><td>1,625</td><td>572</td></tr>
<tr><td>3 (‘middle’, approximate)</td><td>1,254</td><td>200</td></tr>
</table>
</td>
</tr>
<tr>
<td>Referral to other Ministers</td>
<td>Refer to the Minister for Health and Minister for ACC: Yes / No</td>
</tr>
</table>

Vote Justice – Firearms Reform – Implementing the new Arms Act and establishing Firearms Safety New Zealand

Vote	Justice
Initiative ID	17061
Initiative Title	Firearms Reform – Implementing the new Arms Act and establishing Firearms Safety New Zealand

Contact details

Emily McCarthy	Analyst	[39]
Shelley Robertson	Manager	

Issue / advice sought

On 13 April you requested further advice on scaling options for the firearms reform initiative. The Ministry of Justice (MoJ) provided us with a scaled option on 15 April that we understand has also been provided to the Minister and Associate Minister of Justice and the Minister of Police.

Responsible Ministers will likely seek to discuss this initiative with you at or before Budget Ministers 4.

Treasury advice

MoJ's scaled option seeks new operating funding of [38] across all three components of the firearms reform initiative: (1) organisational form change, (2) regulatory regime change, and (3) ICT investment. This is substantially lower than the [38] submitted, but higher than the $20.0 million in the current package.

Original submission	Currently in package	MoJ's new scaled option
[38] + *$28 million* [38]	$20.0 million + *$28 million* [38]	[38] + *$28 million* [38]

Components 1 & 2: Organisational form and regulatory regime change

Original submission	Currently in package	New scaled option
$41.8 million	$20.0 million	$30.5 million

MoJ considers these components of the firearms reform initiative can be delivered for $30.5 million over the forecast period. This has been scaled through decreases in the implementation and ongoing operating costs across multiple categories, particularly personnel costs. MoJ advises this scaled amount will enable full delivery of the organisational form and regulatory regime change, but on a slower timeframe of approximately 2.5 years (instead of 1.5 years).

While we consider further scaling is possible, we understand MoJ considers scaling to $20.0 million would make full delivery of policy objectives and/or passage of the Arms Bill this Parliamentary term difficult to achieve. Given MoJ has provided a significantly scaled option across all three components of the initiative that appears credible, we recommend supporting funding of $30.5 million. However, we can provide advice on further scaling options for these components of the initiative if desired.

Component 3: ICT investment

Original submission	Currently in package	New scaled option
[38] + *$28 million* [38]	No new funding +*$28 million* [38]	[38] +*$28 million* [38]

You have agreed that $28.0 million ringfenced in Firearms Safety Authority (FSA) baselines for a related ICT investment can be put in a tagged contingency and repurposed for the new ICT investment. There is currently no new funding in the package for ICT investment.

The scaled option seeks [38] in new funding. The scaling has been driven by a reduction in personnel and consultant costs. We previously recommended providing no new funding this Budget as we have deliverability concerns and, based on original costings, had concerns about affordability in the law

	and order envelope. However, in view of the tighter costings associated with the new option, we recommend providing new funding [38] in a tagged contingency this Budget, alongside the $28.0 million you have already agreed can be used for this purpose. Use of a tagged contingency for the ICT funding will support mitigation of delivery risks identified by the Treasury and through the Risk Profile Assessment process. We recommend making drawdown subject to Gateway engagement and Ministers' satisfaction with the Approval to Deliver business case. MoJ commenced Gateway engagement on 15 April, with a review planned to be completed by 30 June 2026.
Treasury recommendation	***Component 1 & 2: Organisational form and regulatory regime change*** **indicate** if you wish to: • fully fund MoJ's scaled option of $30.5 million over the forecast period (Treasury recommended): *Yes / No* • provide scaled funding of $20.0 million over the forecast period: *Yes / No* ***Component 3 – ICT investment*** **indicate** if you wish to: • provide full funding for the Associate Minister's preferred ICT investment option in accordance with MoJ's revised costings by providing an additional [38] over the forecast period in a tagged contingency (Treasury recommended): *Yes / No* • defer the decision on the additional ICT funding to Budget 2027: *Yes / No*
Referral to other Ministers	**Refer** to the Minister for Justice, Associate Minister for Justice and Minister for Police: *Yes / No*

[33]

[33]

Vote Labour Market – Update to the Repayable Immigration Funding Package Initiative

Vote	Labour Market (Immigration)
Initiative ID	17298
Initiative Title	Repayable Immigration Funding Package
Contact details	Anastasia Wilkes — Analyst — [35] John Marney — Manager
Issue / advice sought	Since being informed of the agreed scaled immigration package, the Ministry of Business, Innovation and Employment (MBIE) has advised that there are cash position impacts with this scaled option that were not apparently in the original submission. MBIE has also advised that the original proposed mitigation of an earlier fee and levy review is no longer feasible. On 10 April your decision to include the scaled option of $84 million in the package was communicated to MBIE as part of standard processes to ensure agencies can prepare their financial recommendations. MBIE's full initiative requested [33] . You have not yet provided a letter to the Minister of Immigration to inform her of this decision.
Treasury advice	**Impacts of not receiving full capital injection** MBIE has advised that receiving only the scaled option of $84 million in capital would have a flow-on impact to MBIE's consolidation cash position and push its cash balance to a very low level. One of the key mitigations originally proposed to manage this risk was bringing forward the fee and levy review – MBIE has since advised that an earlier review is also no longer feasible as the immigration policy and ICT work programmes for 2026 have now been finalized and agreed by Cabinet, which means that resources are committed elsewhere. To make changes to this work programme to create capacity to conduct the review, the Minister of Immigration would need to go back to Cabinet. **In light of this new context, Treasury recommends providing the full capital funding** Additional capital funding would mitigate the impacts outlined above and support MBIE to manage the immigration system until it can undertake the fee and levy review to increase revenue. The full quantity of capital funding is proposed to be held in a tagged contingency and only drawn down as required to manage immediate cost pressures. The cash position issue will not become apparent until 2027/28, so an alternative option is to revisit the immigration funding decision in Budget 2027. **Reduced operating funding required** MBIE's operating funding needs for the immigration portfolio have changed from their submission in January. [33] . There is now [33] available for the Budget package as a result.

Treasury recommendation	***Indicate*** your preferred option to include in the Budget package:

Option	***ID***	***Operating ($m)***						***Total Capital ($m)***	***Indicate***
		25/26	***26/27***	***27/28***	***28/29***	***29/30***	***Total***		
Scaled funding (currently in package)	17298	31.2	-	-	-	-	31.2	84	Yes/No
Full funding request (Treasury recommended)		31.2	-	-	-	-	31.2	[33]	Yes/No

Vote Māori Development – Māori Media – Strengthening the Māori Media Sector for a Digital Future and Te Reo Māori Revitalisation

<table>
<tr><td>Vote</td><td>Māori Development</td></tr>
<tr><td>Initiative ID</td><td>17588</td></tr>
<tr><td>Initiative Title</td><td>Māori Media – Strengthening the Māori Media Sector for a Digital Future and Te Reo Māori Revitalisation</td></tr>
<tr><td>Contact details</td><td><table><tr><td>Britney D’Souza</td><td>Analyst</td><td>[35], [39]</td></tr><tr><td>Mark Hodge</td><td>Unit Manager</td><td></td></tr></table></td></tr>
<tr><td>Issue / advice sought</td><td>We seek your decision on a late initiative submitted by the Minister for Māori Development for Budget 2026. The initiative seeks ongoing operating funding [33] million p.a. to Whakaata Māori and Te Māngai Pāho to strengthen the Māori media sector for a digital future and te reo Māori revitalisation, while addressing the expiry of Budget 2023 time-limited funding. [33]
[33] . Note you declined to invite a similar initiative for increased support for Māori media into the Budget 2026 process.</td></tr>
<tr><td>Treasury advice</td><td>We do not recommend funding this initiative. We consider it still does not meet requirements for invitation and insufficient information has been provided to assess the value for money or criticality of the proposed initiative (including evaluation of the effectiveness of previous rounds of Budget funding). Further, we consider entities can adapt to reduced funding and have had sufficient lead-in time to do so. We acknowledge there may be perception risks around the Crown’s Treaty obligations if this initiative is not funded. However, any statutory or viability risks appear unlikely as both entities have been adapting to operating within their new, lower appropriations at the end of the time-limited funding.

If you do wish to include this initiative in the Budget 2026 package, we recommend:

Te Māngai Pāho: providing the full funding requested for Te Māngai Pāho ($10m p.a. from 2026/27 onwards). Providing this funding is expected to enable continued investment in iwi radio and the creation of Māori media without reducing contestable or platform funding. Providing this funding would mean Te Māngai Pāho would have a net $6m p.a. reduction in funding from 2026/27.

Whakaata Māori: Scaling and time-limiting funding for Whakaata Māori, subject to a report back to Cabinet on the progress and development of its digital transformation and platforms ($4m in 2026/27 and 2027/28).
Funding is expected to enable Whakaata Māori to develop and implement a business case for transformation, and continue to invest in platforms and workforce to transition to a digital future. However, a case for funding this investment is yet to be made by both the entity and Te Puni Kōkiri.
Scaled and time-limited funding:
extends 2025/26 baseline funding for two years and is a similar quantum to the time-limited $4.5m p.a. provided at Budget 2023; and
incentivises the entity to present a case through the investment management process for its digital transformation and work programmes, before a decision is made on ongoing funding.</td></tr>
<tr><td>Treasury recommendation</td><td>Indicate your preferred option:
Option A: Do not include this initiative in Budget 2026 (Treasury recommended): Yes / No
Option B: Provide $10m p.a. funding for Te Māngai Pāho and $8m total for Whakaata Māori: Yes / No
Option C: Provide full funding for this initiative: Yes / No
<table><tr><th rowspan="2">Option</th><th colspan="6">Operating ($m)</th></tr><tr><th>24/25</th><th>25/26</th><th>26/27</th><th>27/28</th><th>28/29</th><th>Total</th></tr><tr><td>Option A No funding (recommended)</td><td>-</td><td>-</td><td>-</td><td>-</td><td>-</td><td>-</td></tr><tr><td>Option B (full funding for Te Māngai Pāho, and scaled and time-limited funding for Whakaata Māori)</td><td>-</td><td>14.0</td><td>14.0</td><td>10.0</td><td>10.0</td><td>48.0</td></tr><tr><td>Option C Current status in package (full funding for both initiatives)</td><td>-</td><td colspan="5">[33]</td></tr></table></td></tr>
</table>

Vote Social Development – Emergency Housing

Vote	Social Development
Initiative Title	Emergency Housing – Extending scaled-down support services
Contact details	Mohan Singh, Senior Analyst [35], [39] Lydia Verschaffelt, Acting Unit Manager

Issue / advice sought

The current Budget 2026 package provides $11.212 million per year for two years to support the Ministry of Social Development's (MSD's) Emergency Housing (EM) services through an invest-to-save initiative. The Social Investment Agency (SIA) provided you advice recommending redesigning EM support services due to changing population and limited information on effectiveness of the current programme [T2026/327]. SIA has recommended:

- that funding should be provided to MSD for one year only; and

[33]

Treasury advice

[33]

- retaining two years of funding as per the current package; and
- holding funding for year two in a tagged contingency,

[33]

Our advice balances the interests of both SIA and MSD, recognising the concerns raised by SIA while ensuring funding certainty and service delivery for MSD.

Treasury recommendation

Indicate if you want to amend this initiative to:

- **Option A (MSD preferred, current package)**: two years appropriated funding: Yes / No
- **Option B (TSY preferred)**: two years of funding; second year held in a tagged contingency,
  [33]
  [33] Yes / No
- **Option C (SIA preferred)**: one year of funding only; and direct officials from MSD, the Treasury and SIA [33] Yes / No

Option A (MSD, current package)	ID	Operating ($m)						Total Capital ($m)
		25/26	26/27	27/28	28/29	29/30	Total	
Total Cost	17208	-	11.212	11.212	-	-	22.424	-
Total Savings		-	12.374	18.586	5.740	-	36.700	-
Net Funding		-	(1.162)	(7.374)	(5.740)	-	(14.276)	-

Option B (TSY)	ID	Operating ($m)						Total Capital ($m)
		25/26	26/27	27/28	28/29	29/30	Total	
Total Cost	17208	-	11.212	11.212	-	-	22.424	-
Total Savings		-	12.374	18.586	5.740	-	36.700	-
Net Funding		-	(1.162)	(7.374)	(5.740)	-	(14.276)	-

Option C (SIA)	ID	Operating ($m)						Total Capital ($m)
		25/26	26/27	27/28	28/29	29/30	Total	
Total Cost	17208	-	11.212	-	-	-	11.212	-
Total Savings		-	12.374	-	-	-	12.374	-
Net Funding		-	(1.162)	-	-	-	(1.162)	-

Vote Tertiary Education – Ending the Final-Year Fees Free Scheme

Vote	Tertiary Education
Initiative ID	17389
Initiative Title	Ending the Final-Year Fees Free Scheme
Contact details	Isabel Dunne – Analyst Mark Hodge – Unit Manager [35]
Issue / advice sought	In January 2026 you indicated that you wish to invite savings from Final-Year Fees Free into Budget 2026. Following this, the Ministry of Education provided three options for ending the Final-Year Fees Free scheme in April 2026, alongside options to increase funding for fees-free education at foundational levels and to support vocational education through Budget 2026. We have provided advice on these spending options in a separate annex.

Treasury advice

The three options for discontinuing the Final-Year Fees Free scheme (the Scheme) provided by MoE are outlined in the table below (note savings have increased to reflect BEFU forecasts):

Option	**Description**	**Net savings (average p.a.)**
A: No grandparenting	• Eligibility ends for all learners from 31 December 2026. Learners who complete their qualification after this date would not receive any entitlement. • Simplest option to implement. • Administration of Scheme ends mid-2028 (as students can apply for reimbursement for a year after finishing studies).	($330.2) million
B: Narrow grandparenting (one-year for sub-degree qualification)	• Learners who are actively studying in 2026 and who complete a sub-degree qualification before 31 December 2027 would be eligible to claim Final-Year Fees Free. Eligibility for all other learners ends from 31 December 2026. • Approximately additional 13,900 learners would qualify for Final-Year Fees Free reimbursement. Excludes degree-level learners and most apprentices from receiving final-year Fees Free. • Most complex implementation model. Involves significant development work and communications. • Ongoing administration until mid-2029.	($321.0) million
C: Broad grandparenting (three-year for all learners)	• Learners who were actively studying in 2026 and who complete any qualification before 31 December 2029 would be eligible to receive final-year Fees Free. • Approximately 64,200 learners captured, including most full- and part-time provider-based learners (including degree level), most trainees, and more than half of apprentices. • Moderately complex implementation model. Would involve development work and communications. • Ongoing administration until mid-2031 due to long eligibility period.	($269.9) million

We recommend option A (no grandparenting and discontinuing the Scheme after 2027). This is because:

- this option achieves the highest savings and is easiest to implement; and
- MoE has indicated it is unlikely that there will be negative implications for enrolments or achievement in tertiary education from discontinuing the Scheme without grandparenting.

	While more learners would benefit from the Scheme under option C than the other two options, we note that none of the options below would ensure that all learners who enrolled with the expectation of benefitting from the Scheme would receive final-year Fees Free. Achieving this would require retaining eligibility for learners who complete their qualifications beyond 2029. We do not recommend considering a further option that maintains eligibility for longer, as this would reduce savings and increase implementation complexity and costs with limited and uncertain benefits. This is because the Scheme would have to continue for a significantly longer time (e.g., an additional five years or longer, particularly if accounting for learners who may take extended study breaks) if the aim is to guarantee that all learners who were actively studying in 2025/26 remain eligible for Final-Year Fees Free.
Treasury recommendation	**Indicate** which option you wish to include in the package: • **Option A (Treasury recommended):** No grandparenting: Yes / No • **Option B:** Narrow grandparenting: Yes / No • **Option C:** Broad grandparenting: Yes / No

Option	*ID*	*Operating ($m)*						*Total Capital ($m)*
		25/26	*26/27*	*27/28*	*28/29*	*29/30*	*10-year rule (p.a.)*	
Option A (no grandparenting)	17356	(22.9)	(138.8)	(248.3)	(302.5)	(342.6)	(330.2)	-
Option B (narrow grandparenting)	17356	(15.5)	(97.3)	(220.8)	(302.0)	(336.0)	(321.0)	-
Option C (broad grandparenting)	17356	(4.7)	(31.7)	(72.9)	(134.2)	(283.7)	(269.9)	-

Vote Tertiary Education – Review of Tertiary Education and Funding Reprioritisation

Vote	Tertiary Education
Initiative ID	N/A
Initiative Title	Review of Tertiary Education and Funding Reprioritisation
Contact details	Isabel Dunne – Analyst – [35] Mark Hodge – Unit Manager
Issue / advice sought	During the Tertiary Education Budget 2026 multilateral meeting on 24 March, you expressed your support for a [33] . On 7 April, the Ministers for Vocational Education and Universities wrote to you outlining their proposed scope and sequencing of the Review. In this letter, Ministers also requested your approval to **reprioritise an additional $2.3 million in savings**, [33] to provide time-limited departmental funding for the Ministry of Education to undertake the Review.
Treasury advice	**We recommend you agree** to the proposed new reprioritisation initiative to fund the Review, [33] We do not expect additional risks from this additional reprioritisation proposal. If you do not wish to agree to the proposed reprioritisation, Ministers will need to fund the Review within current baselines by deprioritising other work. We also recommend you include a recommendation in the Budget 2026 Cabinet paper inviting the Minister for Tertiary Education to return to Cabinet by September 2026 to seek agreement to the high-level direction for the Review, [33]
Treasury recommendation	**Indicate** if you want to: • **Include** the proposed fiscally neutral reprioritisation initiative in the package **[Treasury recommended]**: Yes / No • **Agree** to invite the Minister for Tertiary Education to return to Cabinet by September 2026 to seek agreement to the high-level direction [33] **[Treasury recommended]**: Yes / No

Vote Transport – Fuel Crisis Response for Public Transport Authorities

Vote	Transport
Contact details	Lorenzo Malavisi — Analyst — [39] Amanda Wilson — Unit Manager
Issue / advice sought	On 16 April, the Minister of Transport referred you a paper seeking Cabinet agreement on whether Budget 2026 should include funding to address fuel-driven cost pressures in public transport operations arising from the conflict in the Middle East. You previously indicated (at the second Transport bilateral) a preference for public transport support options to be included for Budget consideration, if there is a case for investment. Rising diesel prices are increasing contracted operating costs for public transport services, with costs passed through to public transport authorities and NZTA via existing indexation mechanisms. Without additional funding, the paper identifies a risk that some authorities may reduce services. The paper therefore presents options for a temporary funding response to maintain existing service levels.
Treasury advice	**We recommend that further information on actions taken by Public Transport Authorities (PTAs) and NZTA to manage these pressures is required before funding is agreed, to mitigate against precedent setting risks.** In the Transport bilateral, you requested advice on options but to ensure any potential support was targeted, time-limited and fair. The MoT paper notes councils may rationalise services if diesel prices stay elevated but provides limited evidence on when reductions would occur or how sensitive decisions are to fuel prices. We would typically expect PTAs, supported by NZTA, to manage short-term input shocks within existing funding and through making trade-offs and rationalisation of services – for example, reducing off-peak or weekend services and/or making changes to timetables to ensure more efficient operations. Whilst these pressures are real and we see a potential case for government support, we have not been provided with evidence of measures taken within PTAs and NZTA to try and manage these risks or the direct costs or a regional breakdown of the cost pressures by council to be able to assess the fairness of potential funding distributions and ensure those are targeted. We recommend this is provided first to provide assurance over any supports and to mitigate potential precedent risks. Crown subsidies for fuel price movements are blunt and create precedent risk. In the absence of further information, we cannot meaningfully assess what level of Crown support (if any) would be proportionate. In addition, the costings provided by MoT are for PTAs only. MoT have recommended that NZTA manages its own cost pressures. We note that we have also not had visibility of the potential trade-offs required to enable this and that there may be a risk of further capital to operating swaps as a result. We recommend further information is provided on this risk. MoT's preferred option is benchmarked on a more conservative average price of around [38] while PTAs prefer a scheme based on [38]), which we assess as unrealistic. To align with the central Treasury forecasts, we have adjusted MoT's preferred option [38] . Actual costs are highly sensitive to volatile forward price assumptions and may over- or under-estimate current estimates. If you were to fund NZTA's cost pressures, you would need to [38] . Noting the risks and concerns above, if Ministers choose to provide support, we recommend that this funding for 2026/27 is held in a tagged contingency, subject to further information being provided on actions taken by PTAs and NZTA to manage these pressures and on the condition that support is capped at 12 months or until diesel prices fall below [38] for four consecutive weeks (this would be consistent with how you have treated other fuel cost pressures). Funding for 2025/26 is unable to be put into a tagged contingency, but we recommend this is not distributed until additional assurance is provided to ensure payments are targeted. We note that on Treasury's current internal projections based on futures pricing, this would see the programme end in October 2026 – the same time as we expect the IWTC to end. There is a high level of uncertainty and volatility in pricing, particularly as diesel prices have moved independently from and faster than petrol prices.

MoT have also identified $6.3 million total of non-departmental underspends across Emergency Ocean Response Capability, Surf Life Saving New Zealand, and Drug and Alcohol Assessment Costs, which could be used to offset the costs the scheme.

Treasury recommendation

Note that there is a legitimate cost pressure associated with increased diesel prices, however, we have not been provided with sufficient information on internal measures to manage this (e.g. by rationalising off-peak services) to provide assurance over government supports and minimise precedent risks.

Indicate whether you wish to include funding for this initiative in your Budget 2026 package: Yes/No

If you do with to provide funding now, we recommend you:

- **Agree** to provide funding for 2025/26 pressures through Vote Transport, but with clear expectations to the Ministry that this is not to be distributed until further assurances are provided on options to manage within baselines, noting a tagged contingency cannot be provided for 2025/26;
- **Agree** to hold funding for 2026/27 into a tagged contingency subject to further information on actions taken by PTAs and NZTA to manage pressures internally: Yes / No
- **Agree** to cap support at 12 months or until diesel prices fall below [38] for four consecutive weeks: Yes / No
- **Indicate** if you want the scheme to also cover NZTA cost pressures, noting this will [38] [38] : Yes / No
- **Indicate** which funding rate you wish to provide funding on the basis of in your package:
    - **Option A:** Support based [38] **(Treasury preferred** as it aligned with the central forecast**)**:
    - **Option B:** Support based (MoT preferred): Yes / No
    - **Option C:** Support based (PTAs preferred): Yes / No

[38] Yes / No

Option	Operating ($m)						Total Capital ($m)
	25/26	26/27	27/28	28/29	29/30	Total	
Option A	[38]						-
Option B							-
Option C							-

Annex 2: Distributional and Climate Impacts of the Budget Package

1. Cabinet Papers are generally required to identify population implications, human rights impacts, and climate implications.

2. Agencies and their Ministers are responsible for identifying and managing these for Budget initiatives: our role is to ensure you have visibility including of any cross-cutting impact for disclosure in the Budget Cabinet paper.

Treaty of Waitangi Impacts and Impact on Māori

3. The issues discussed in this report have generally been raised by agencies and in Ministerial submissions.

4. [36]

5.

Welfare changes

6. The most significant impact on Māori through Budget 2026 relates to the welfare package initiatives in votes Social Development and Housing and Urban Development, which effect systems and services in which Māori are significantly overrepresented. Recent advice to you from MSD and HUD (HUH2026-009593; REP/26/4/253) identified that Māori are overrepresented in both the positive and negative impacts of the package:
    - Despite Māori comprising approximately 17.5 per cent of the population generally, they represent approximately 40% of the number of families who will be worse off as a result of the package, with an average loss of $23.85 per week.
    - Māori also represent approximately 31% of the families that gain from the package, with an average gain of $15.53 per week. Initiatives in the package may also improve social housing mobility for Māori and provide better pathways to independence.

6. The most significant portions of the welfare package relate to social housing, on which a separate paper is being prepared for Cabinet.

7. [33]

Human Rights Impacts

8. Alongside the New Zealand Bill of Rights Act (NZBORA) and Human Rights Act 1993, New Zealand also has legal obligations under various international treaties, including the International Covenant on Economic, Social and Cultural Rights (ICESCR) and United Nations Convention on the Rights of the Child (UNCRC).

9. The Ministry of Justice has provided advice based on information provided by agencies and have identified potential positive and negative impacts. As these have been identified by agencies and are subject to further policy work and engagement with MoJ, we do not consider any further action is necessary at this time.

    a. **MoJ identified potential negative risks**: welfare reform initiatives in votes Social Development and Housing and Urban Development may negatively affect the current level of realisation of ICESCR and UNCRC rights, such as the right to social security and the right to an adequate standard of living, and may affect the equal enjoyment of rights by all due to the potentially disproportionate impacts for some groups such as single parents and Māori families

    b. **MoJ identified potential positive impacts**: investment in OT to respond to children at risk of harm or in care with complex needs, which may support a range of children's rights and help New Zealand fulfil its obligations to protect children from all forms of violence, and initiatives that fund an increase in social housing and increase the Accommodation Supplement have a positive impact on the right to adequate housing.

[36]

CIPA Requirements

10. Cabinet guidance requires that Cabinet papers involving policy decisions that are likely to meet a certain emissions impact threshold[1] are required to have a Climate Implications of Policy Assessment (CIPA) attached.

11. The Climate Change Interdepartmental Executives Board Unit (the CCIEB Unit) has conducted an initial review of the climate impacts of the draft Budget 2025 package with support from the Treasury. This is aligned with the approach in previous years.

12. The combined impact of initiatives with quantified emissions indicates **an overall reduction in emissions in the second emissions budget period (EB2)**, largely driven by the emissions reductions through the Rail Network Investment Programme and the Gas Transition Loan Guarantee Scheme. The scale of the change in emissions is over the threshold in the Cabinet guidance, and **we therefore recommend including a CIPA with the Budget Cabinet paper.** We will provide you a draft CIPA alongside the Draft Budget Cabinet paper on April 24th.

Emissions and Adaptation Impacts

13. The Unit noted that there are 14 initiatives with emissions impacts, including three initiatives with quantified emissions impacts, including the Rail Network Investment Programme (RNIP) – National Rail Freight Network. Of the 11 unquantified initiatives, two are fuel pressure initiatives and nine are transport and construction related. Including unquantified initiatives, there is estimated to be a neutral or relatively small net emissions decrease, which is unlikely to be material for EB2. Notably, the emissions impact of the Government Policy Statement on Land Transport initiative are unquantifiable until its components are confirmed.

14. The Unit noted that there are 18 initiatives with adaptation impacts that would deliver a net increase in climate resilience, including the National Flood Map component of the Resource Management Reform initiative, and Conifers – Scaling the Crown's Investment in the National Control Programme initiative which would support the delivery of New Zealand's National Adaptation Plan.

Green Bonds

15. Green bonds finance projects with climate or environmental outcomes. Potentially eligible new spending initiatives within the current draft Budget package are the three transport initiatives listed in Table Two. Based on our previous evaluation, most of expenditure for the two Rail Network Investment Programme initiatives is expected to be eligible while more information needed on the Government Policy Statement on Transport 2027 to assess alignment with the Programme's technical criteria

[1] Equal to or above ±0.5 Mt CO_2e within the first ten years of the proposal

Table Two: Potential eligible expenditures for the Green Bond Programme

ID	Vote	Initiative
17138	Transport	Rail Network Investment Programme (RNIP) – National Rail Freight Network
17157	Transport	Government Policy Statement on Transport 2027
17161	Transport	Rail Network Investment Programme (RNIP) – Metropolitan Rail Networks Overdue Renewals

16. Cost savings initiatives in the current draft package are not expected have a material impact on the overall Programme.

Value for Money analysis of the current package

17. The draft Budget package as at 17 April demonstrates reasonably high value for money overall. 71% of initiatives have a value rating of good or excellent, meaning that the benefits of the initiatives outweigh the fiscal and non-fiscal costs. 82% of initiatives have an alignment rating of good or excellent, indicating strong alignment with Government priorities and Budget 2026 priorities. 81% of initiatives have a delivery rating of good or excellent, indicating largely adequate agency capacity and capability to achieve implementation plan.