

# The Treasury

## Budget 2025 Information Release

### September 2025

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- [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] Information out of scope – the material is not related to Budget 2025

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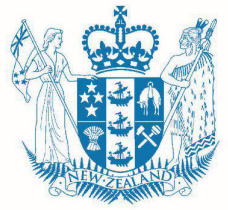
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# Hon Nicola Willis

Minister of Finance  
Minister for the Public Service  
Minister for Social Investment  
Associate Minister of Climate Change



24<sup>th</sup> June 2024

Hon Simon Watts  
Minister of Revenue  
Minister of Climate Change  
Parliament Buildings

Dear Simon

Thank you for your efforts in delivering a successful Budget 2024. We have made significant progress towards our fiscal objectives and started to embed a culture of fiscal discipline. However, getting the Government's books back in order cannot be achieved through a single Budget; it requires a sustained, collective effort. I am writing to you to outline my expectations for responsible spending going forward. I will also be writing to Ministers separately to set out my expectations for capital investments at Budget 2025 and the application of strong investment disciplines.

Cabinet has set conservative operating allowances for Budgets 2025-2027 of \$2.4 billion per annum. This includes operating spend associated with capital investment. Following our decision to pre-allocate funding for Health NZ and other smaller commitments, as at Friday 21 June approximately \$882 million of the Budget 2025 allowance remains for allocation.

Managing within these tight allowances will be challenging and therefore, a very high bar will be applied for new spending and further enduring savings will need to be found, beyond those identified in Budget 2024. In addition, we will need to continue to reprioritise existing spending to support any new commitments we wish to make.

Most agencies will not receive additional funding for "cost pressures" or for new initiatives through Budget 2025, and will need to manage through reprioritisation of lower value activities. The only exception will be for critical frontline services in health, education, and law & order and delivering coalition commitments, and only then where no suitable reprioritisation options can be identified. It is important you work with your agency now to ensure they are continuing to identify efficiencies and proposals to drive more value from existing spending.

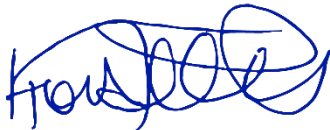
Critical to managing within these allowances will be minimising pre-commitments against them. This means that out of cycle funding requests will not be considered apart from in exceptional circumstances. To enforce this, Cabinet has agreed that Ministers must seek my pre-approval for submitting an out of cycle funding request before taking such a request to Cabinet. In doing so, Ministers are required to outline why funding is needed immediately and alternative funding options. I will, in consultation with the Treasury, subject these requests to a similar level of scrutiny as Budget submissions.

On 29 April Cabinet also agreed that Treasury would undertake a "deep dive" into grants and funds. The Treasury will be commencing the deep dive next week, and I have attached the terms of reference to your letter. I thank you in advance for you and your agency's timely cooperation with this deep dive.

I intend to update Cabinet on Phase Two of the Fiscal Sustainability Programme in the coming weeks. I will then follow with further detail on the Budget 2025 strategy and the process and expectations leading up to the Budget and any other fiscal discipline matters.

I look forward to working with you as we continue to make progress towards our fiscal and policy goals.

Yours sincerely,

A handwritten signature in blue ink, appearing to read 'Hon Willis', with a stylized flourish at the end.

Hon Nicola Willis  
Minister of Finance

CC: Peter Mersi, Inland Revenue Department  
James Palmer, Ministry for the Environment  
Rob Taylor, Ministry of Foreign Affairs and Trade

## Appendix: Treasury Deep Dive of Grants and Funds – Terms of Reference

1. The Government's Fiscal Sustainability Programme seeks to drive greater value and results from public expenditure and secure a sustainable fiscal outlook. As part of phase two of the programme, Cabinet has agreed for Treasury to undertake a deep dive of grants and funds across Government [CAB-24-MIN-0148].
2. This document sets out the Terms of Reference for the deep dive of grants and funds.

### Objectives and Scope

#### *Problem definition*

3. Initial analysis from 2023 shows that there are over more than grant schemes operating across Government. However there is limited information at an aggregate level on how effective these grants are, and whether or not they are achieving intended outcomes (if indeed this information exists).
4. The Budget 2024 Initial Baseline Exercise also identified that there may be opportunity for value generation and savings from grants and funds in various agencies. In the time available to influence Budget 2024, many of these options were deferred.
5. This deep dive seeks to address the information asymmetry and inefficient use of resources in the funding and administration of grants and funds.

#### *Objective*

6. The primary objective of the deep dive is to **identify options for savings for Budget 2025 and ensure that grants and funds, and their administration, are achieving Government objectives effectively and efficiently.**
7. To meet this primary objective, the deep dive will have three secondary objectives:
  - a) **providing visibility of grants and funds**, and their performance, across Government;
  - b) **identifying options for realising savings**, implementable by Budget 2025 where possible, where funding is duplicative, not meeting intended outcomes, low value, administratively inefficient and/or misaligned with Government priorities; and
  - c) **proposing system settings changes** to ensure visibility and scrutiny is embedded in the system, including options to improve performance reporting and evaluation standards.

#### *Scope*

8. Grants and funds are a form of funding provided from the public sector to external parties. All grants and funds provided by and/or administered by all agencies are within scope of this deep dive, including those administered through Crown entities. There are three exceptions:
  - i. funding in scope of the housing supports review,
  - ii. funding in scope of the review of disability support services, and

iii. funding in Vote Health.

9. There are a number of ways to define grants and funds depending on contexts and purposes. The definition of grants and funds for the purpose of this deep dive is as follows. Treasury will provide further guidance on how this definition should be interpreted to support agencies through the process.

*Funding arrangements between public entities and external parties designed to support an organisation or activity without directly purchasing goods or services or funding arrangements that directly purchase goods or services that have features consistent with grant funding.*

10. Based on the above definition, the following is out of scope, unless funding has sufficient features compatible with grant funding:

- Formula based benefits or entitlements that are paid automatically, to or on behalf of individuals, and required by law if a set of eligible characteristics are met (e.g. most Benefits or Related Expenses)
- Tax expenditure e.g. concessions or exemptions as stated in the Budget 2024 Tax Expenditure Statement
- Statutory funds that are governed by their own legislation (e.g. New Zealand Superannuation Fund, ACC and the Earthquake Commission)
- Funding conduits and Special Purpose Vehicles (e.g. New Zealand Local Government Funding Agency)
- Ex-gratia payments
- Loans on commercial terms and loan write-offs

## Process and Timings

11. The deep dive will operate as a two-stage process:

- Stage One - stocktake:** Treasury will lead a stocktake of grants and funds across Government to assess value and alignment with Government priorities, and to identify areas to consider further for savings options ahead of Budget 2025,
- Stage Two - review:** specific areas reviewed (for example certain grants or funds, or grants and funds in a given sector) to identify options for Budget 2025 savings.

12. The timings for these workstreams is as follows:

Stage	Activity	Timing
Stage One	Agency stocktake information collection	July
	Treasury collate data and complete high-level assessment	August

	Report on stocktake of grants and funds, including update to EXP and Cabinet before proceeding to stage two.	End August
<b>Stage Two</b>	Further review of agreed areas of focus to identify Budget 2025 savings options and development of enhanced performance reporting	September – November
	Report on recommended areas for savings and system settings changes. Recommendations to be considered by EXP and Cabinet, and savings options funnelled through the Budget 2025 process.	November-December <sup>1</sup>

## Roles and engagement

13. Treasury will lead and deliver the deep dive in line with Cabinet mandate and this Terms of Reference agreed by the Minister of Finance.
14. Agencies:
  - i. Agencies will be consulted through the process via a reference group to inform the deep dive, including in the design of proposed information collection.
  - ii. Input will be sought from all agencies to support the stocktake stage, noting the required effort will vary across agencies depending on the extend of grants and funds in their spending areas. Treasury will support and advise agencies through this process.
  - iii. Some agencies may be requested to further consider options to deliver savings from specific grants and funds ahead of Budget 2025.
15. Treasury will work together with central agencies to ensure the deep dive is delivered alongside work being undertaken across the system, including seeking expertise from the Social Investment Agency to inform recommendations for identifying and embedding value from grants and funds.

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<sup>1</sup> Exact timing to be agreed following stocktake report and agreed scope of second stage.