

The Treasury

Budget 2025 Information Release

September 2025

This document has been proactively released and is available on:

- The Budget website from September 2025 to May 2026 only at: <https://budget.govt.nz/information-release/2025>, and on
- The Treasury website from later in 2025 at: <https://www.treasury.govt.nz/publications/information-release/budget-2025-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 may have been withheld:

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

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).

Copyright and Licensing

Cabinet material and advice to Ministers from the Treasury and other public service departments are © **Crown copyright** but are licensed for re-use under **Creative Commons Attribution 4.0 International (CC BY 4.0)** [<https://creativecommons.org/licenses/by/4.0/>].

For material created by other parties, copyright is held by them and they must be consulted on the licensing terms that they apply to their material.

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.

Treasury Report: Outstanding questions regarding the Budget 2025 Invitation Letters

Date:	31 October 2024	Report No:	T2024/2990
		File Number:	BM-2-1-2025-M112080

Action Sought

	Action Sought	Deadline
Minister of Finance (Hon Nicola Willis)	<p>Agree to the revised approaches to the law and order and NZDF/MFAT envelopes.</p> <p>Note our responses to questions or comments raised during your review of the invitations annex.</p>	4 November 2024

Contact for Telephone Discussion (if required)

Name	Position	Telephone	1st Contact
Chris Brunt	Senior Analyst, Budget [39]	N/A (mob)	✓
Emily Fulford	Team Leader, Budget	N/A (mob)	

Minister of Finance's Office Actions (if required)

Return the signed report to Treasury.

Note any feedback on the quality of the report

Enclosure: Yes.

Treasury Report: Outstanding questions regarding the Budget 2025 Invitation Letters

Purpose of Report

1. We have provided you with the final set of Budget 2025 invitation letters for your approval. This report responds to feedback you provided on the annex of invited and non-invited initiatives on 29 October.

Changes to Envelopes

2. You raised two questions regarding Budget 2025 envelopes. Our advice on each is set out below and reflected in the relevant enclosed letters for your feedback.

Joint envelope for MFAT and Defence

3. You asked for advice on creating a single envelope for the New Zealand Defence Force (NZDF), Ministry of Defence (MOD) and Ministry of Foreign Affairs (MFAT). In principle, we agree there are benefits to requiring Ministers to trade-off and prioritise investment across New Zealand's key tools of international statecraft (defence, aid and diplomacy).
4. Our first best advice is that you make no change to the size of the NZDF envelope, despite adding MOD and MFAT. MOD was expected to work with NZDF on its submission but was not proposed for any invitation itself, and its cost pressures are very small and should be able to be managed within baselines.
5. We similarly do not recommend any change in the envelope to account for MFAT's inclusion. Instead, we recommend that you include in the envelope:
 - a the proposed targeted savings options relating to MFAT (e.g., aid spend, reduced FTE and contractors & consultants, allowances for posted staff and potential closure of overseas posts); and

[1] and [33]

6. Consistent with yours and Budget Ministers' previous steers, we also recommend that your invitation letter makes clear that the submission must include a plan to fund [1], [33] solely from savings and reprioritisation from MFAT's existing baseline, including the savings options set out in paragraph 5(a) above. Given the scale of reprioritisation required from MFAT, you could introduce greater optionality into the invitation. For example, you could ask Rt Hon Peters to outline *an option* to meet the full commitment from MFAT savings, rather than imposing a binding requirement that he does so. But we do not recommend this, as a binding requirement represents the best way to:
 - a send a strong signal regarding yours and Budget Ministers' expectations regarding no new funding being provided for [1] and [33] ; and

[1] and [33]

- b maintains the overall integrity of the envelope. Given the envelope was originally sized using NZDF's cost pressures and proposed Defence Capability Plan investments only, adding MFAT into this envelope but not increasing its size means that, in practice, MFAT's submission will need to be fiscally neutral (or close to it) for the envelope to be effective.
7. Finally, we recommend you also make clear that decisions on [1] and [33] should be taken through Budget 2025. That is the Budget submission should not propose deferral of a decision [1] and [33]
8. Our assessment is that active management of Ministers will be required to enforce your expectation that they, and their agencies, work closely together to make a joint submission on 18 December that is aligned with the invitation. The envelope's size means that managing within it (under each of the high, medium and low scenarios) will require Rt Hon Peters and Hon Collins to make significant trade-offs between their priorities, in addition to MFAT identifying a significant quantum of savings. For the envelope to achieve its function as a top-down constraint on submissions, Ministers will need to engage in these conversations prior to 18 December.
9. For completeness we also note that:
- a Hon Collins and Defence officials have already been advised of the size of their previously-NZDF-only envelope (at the meeting between Ministers and officials regarding the Defence Capability Plan on Sunday 13 October). They may perceive the addition of MFAT with no corresponding uplift in costs as a cut in-real-terms of their already-socialised Budget 2025 envelope.
- b MFAT and NZDF officials work together closely on a range of policy issues. However, unlike, for example, the Justice agencies, they are not used to working together in a Budget context. Doing so in a short (~5 week) submission-preparation period and within constrained fiscal parameters will likely prove challenging. Treasury support at an officials level can mitigate, but ultimately not eliminate, this risk.
- c [1]
- d MFAT and MOD's inclusion as envelope agencies would exclude them from Hon Seymour's baseline savings programme. The exclusion policy for this programme includes departments or portfolios in the Budget 2025 envelope process. We are seeking your agreement for your office to communicate this to Hon Seymour's office.

Inclusion of initiatives from other Votes the in law and order envelope

10. You also inquired whether the operating implications of several initiatives could be incorporated into the law and order envelope.

Oranga Tamariki youth justice initiatives

11. You have asked about including various cost pressures, capital initiatives and coalition agreement commitments relating to the youth justice system in the envelope. To give effect to this, we recommend that:

- a you increase the envelope by \$15m, \$30m and \$45m in the low, medium and high scenarios respectively. [33]
as provided by Oranga Tamariki;
- b as with other justice agencies, an indicative, non-binding split of the envelope that should be allocated to Oranga Tamariki youth justice initiatives is included in the letter (set at \$15m, \$30m and \$45m in the low, medium and high scenarios respectively);
- c you are more prescriptive about what can be submitted by Oranga Tamariki than with other justice agencies (for which invitations are “open” – i.e., Ministers submit initiatives according to their own priorities), to prevent scope creep of what fits within a “youth justice” umbrella; and
- d unlike other envelope agencies, the possibility that Oranga Tamariki is included in the Hon Seymour baseline savings exercise remains on the table. This is because Oranga Tamariki is not becoming an “envelope agency”, but rather a discrete part of their spending is being transferred and considered in an envelope-context.

Crown Prosecution Service initiatives

- 12. You have also asked about including Crown Law cost pressures relating to Crown Prosecution Services into the envelope. To give effect to this, we recommend that:
 - a you increase the envelope by \$2m, \$5m and \$7m in the low, medium and high scenarios respectively. This was calculated by taking 25, 50 and 75 percent of the approximate cost pressures facing Crown Prosecution Services, as provided by Crown Law;
 - b as with other justice agencies, an indicative, non-binding split of the envelope that should be allocated to Crown Law initiatives is included in the letter (set at \$2m, \$5m and \$7m in the low, medium and high scenarios respectively); and
 - c you are not prescriptive about what specific initiatives Crown Law includes in the envelope. [33]

- 13. For completeness, we note that Crown Law’s full inclusion as an envelope agency would rule it out of Hon Seymour’s baseline savings exercise, although it was highly unlikely to be captured in any event. We are seeking your agreement for your office to communicate this decision to Hon Seymour’s office.

Follow ups on discrete invitations

- 14. You also asked a number of follow-ups on discrete initiatives. Our responses and recommended ways forward are set out in **Table 1** below.

Table 1 - Follow ups on discrete invitations

Agency	Initiative	Minister Question	Treasury Response	Treasury Recommendation (Minister to indicate decision)
Department of Conservation	Conservation Drinking Water Infrastructure Programme – Ensuring Compliance	<p>You queried:</p> <ul style="list-style-type: none"> The link to the recent discussion of this programme at Cabinet. Whether the IVL could be used to fund this initiative. 	<p>The single stage business case (SSBC) was considered by ECO on 1 May 2024, but was not endorsed (we understand) due to uncertainty around regulatory exemptions that DOC was seeking for additional sites outside the scope of the business case. These exemptions were subsequently received and DOC is planning to resubmit the SSBC for Cabinet approval.</p> <p>The International Visitor Conservation and Tourism Levy (IVL) could be considered as an alternative source of funding for this business case, if the tagged contingency established at B24 is expired.</p>	<p>Agree to include the review of this tagged contingency in the DOC budget invitation letter.</p> <p><i>Agree/Disagree.</i></p> <p>Agree to update the text in the DOC invitation letter with the below violet text: “You have the following tagged contingencies in your portfolio, which should be reviewed for potential savings opportunities, including whether this initiative could be appropriately funded through International Visitor Conservation and Tourism Levy revenue. If there are no such opportunities, a reasonable justification for why the funding is still needed should be provided.”</p> <p><i>Agree/Disagree.</i></p>
Revenue	Funding for compliance activities ceasing in 2025/2026	You queried how this initiative interacts with the “spend to save” initiative in Budget 2024.	<p>It does not directly relate to the Budget 2024 funding but it does relate to compliance. The funding ceasing in 2025/26 was provided to support the response to, and recovery from, COVID-19 through compliance activities.</p> <p>While the immediate need for the funding has passed, we recommend inviting this initiative into Budget 2025 so that the tax revenue implications of potential reductions to compliance funding for IRD can be considered in-the-round.</p>	<p>Agree to invite this initiative into Budget 2025.</p> <p><i>Agree/Disagree.</i></p>
Ministry of Business, Innovation and Employment	Electric Vehicle Charging Infrastructure – Capital Investment	You queried whether existing EECA funds could be repurposed for this.	Yes. EECA received funding for EV charging infrastructure at Budget 2023. Up to \$65 million remains. We understand Hon Brown will seek Cabinet agreement to use this funding to deliver a new funding model (concessional loans repaid within a fixed period). [33]	<p>Agree not to invite this initiative into Budget 2025.</p> <p><i>Agree/Disagree.</i></p>
Ministry of Business, Innovation and Employment	New Zealand Growth Capital Partners – Cost Pressure (Return of tagged contingency)	You queried the relationship between this initiative and the NZ Super Fund.	<p>This savings initiative relates to the return of a contingency for managing the risk that NZGCP would experience cashflow issues. MBIE has advised the risk of these emerging is now low.</p> <p>This is unrelated to the recapitalisation of the Elevate fund, managed by the NZ Superannuation Fund. See the separate entry in this table (under Treasury) below.</p>	<p>Agree to invite this initiative into Budget 2025.</p> <p><i>Agree/Disagree.</i></p>

[33]

<p>Ministry of Housing and Urban Growth</p>	<p>Social Housing – Funding for Income-related Rent Subsidy Builds</p>	<p>You indicated that this initiative should be amended to invite the Minister of Housing to prepare a package comprising: (i) savings resulting from his review of various housing funds and grants; and (ii) a potential application to accelerate development of community and/or affordable rentals to be provided by CHPs.</p>	<p>We have amended the conditions attached to this letter as follows:</p> <p><i>I am inviting options to support the provision of further affordable rental properties, including analysis of the relative costs and benefits of different interventions. Options explored should support the achievement of similar policy objectives to the provision of additional social housing.</i></p> <p><i>Please submit options no greater than the value of any savings submitted from the review of housing supports, and provide scaled options in line with Treasury guidance.</i></p> <p><i>This initiative should set out prioritisation and sequencing of actions with respect to the broader provision of social and affordable housing. This should include analysis of the impact on regional demand, implications for targeted cohorts, including specific reference to the social housing waitlist.</i></p>	<p>Agree to this change in the letter.</p> <p><i>Agree/Disagree.</i></p>
---	--	---	---	---

[33]

Ministry of Social Development	IST Cost Pressures	You indicated that MSD's Information and System Technology (IST) cost pressure invite could be combined with the invite for Te Pae Tawhiti (TPT).	<p>We do not recommend combining these invites. In our view, it would be preferable to invite them separately or to not invite MSD to submit an IST cost pressure bid at all.</p> <p>The IST costs that would be covered by this bid mainly relate to inflation in IST contracts and investments (e.g. cybersecurity) that are not related to TPT.</p> <p>Including these costs within the TPT bid would add a level of complexity, to the extent that there are different drivers and impacted system for the IST cost pressures by contrast to TPT.</p>	<p>Indicate if you wish to:</p> <ul style="list-style-type: none"> • Not invite MSD to submit an IST cost pressure initiative (Treasury's recommended); <i>Yes/No.</i> • Invite MSD to submit a standalone IST cost pressure initiative. <i>Yes/No.</i> • Invite MSD to include IST cost pressures in the TPT submission (Not Treasury recommended). <i>Yes/No.</i>
--------------------------------	--------------------	---	---	---

[33]

Te Arawhiti	All uninvited cost pressures	You queried whether Te Arawhiti cost pressures were unavoidable.	<p>This initiative relates to a range of pressures for Te Arawhiti, including:</p> <ul style="list-style-type: none"> • [33] • • <p>Te Arawhiti has provided limited information on these pressures as part of the performance plan process.</p> <p>It is likely that these pressures are either non-discretionary or will have a flow on impact on the delivery of Treaty Settlement milestones. We recommend inviting Te Arawhiti into the Budget process to allow for proper scrutiny of these costs and their urgency. The draft Budget invite letter for Te Arawhiti currently proposes inviting a tagged contingency [38] to address cost pressures.</p> <p>[38]</p>	<p>Agree to invite the [38] contingency for Te Arawhiti cost pressures, and issue no further invitations to Te Arawhiti at this stage.</p> <p><i>Agree/Disagree.</i></p>
[33]				
Treasury	Dividend Reinvestment Plans MYA	You queried whether this is essential (and therefore should be invited).	<p>The current MYA expires on 30 June 2027 and will need to be renewed to ensure authority continues to be in place for the Crown to incur the capital expenditure necessary to maintain its majority shareholding in the mixed ownership companies.</p> <p>However, there will be an equal but offsetting capital receipt with the result that, overall, this arrangement will continue to be fiscally neutral for the Crown.</p> <p>We will work with the department to ensure that this is clarified in the performance plan submission on 7 November 2024.</p>	<p>Note the additional information provided and that no further action is required.</p>
Treasury	Recapitalising Elevate	You removed “recapitalising Elevate” from a draft of the most recent set of Budget Ministers slides. No further context was provided by your office.	<p>Per our advice in T2024/2621, we recommend inviting this into Budget 2025, with re-capitalisation either funded by (i) diverting funding from the New Zealand Super Fund, or (ii) from the capital allowance.</p>	<p>Indicate if you want to include an option to divert funding from the NZ Super Fund in this invitation.</p> <p><i>Yes/No.</i></p>

Recommended actions

We recommend that you:

- a **agree** to include the Ministry of Foreign Affairs (MFAT) and Ministry of Defence (MOD) in the New Zealand Defence Force (NZDF) Budget 2025 envelope;
Agree/Disagree.
- b **agree** to not amend the high, medium, or low scenarios for the NZDF envelope to account for MFAT and MOD's inclusion;
Agree/Disagree.
- c **agree** to increase the high, medium and low law and order envelopes by \$15m, \$30m and \$45m respectively to reflect the inclusion of Oranga Tamariki youth justice initiatives;
Agree/Disagree.
- d **agree** to increase the high, medium and low law and order envelopes by \$2m, \$5m and \$7m respectively to reflect the inclusion of Crown Law;
Agree/Disagree.
- e **agree** for your office to communicate the following to Hon Seymour's office:
 - a. that MFAT, MOD and Crown Law are now envelope agencies and should be excluded from his baseline savings exercise (consistent with the exclusion policy he has agreed); and
Agree/Disagree.
 - b. that, despite the inclusion of youth justice initiatives in the law and order envelope, Oranga Tamariki could be in scope of his baseline savings exercise, pending his final scope decisions; and
Agree/Disagree.
- f **indicate** your decisions regarding discrete initiatives in **Table 1** above.

Emily Fulford
Team Leader, Budget Management

Hon Nicola Willis
Minister of Finance

_____/_____/_____