The Treasury

Budget 2026 Information Release

September 2026

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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).

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Vote Housing and Urban Development – Fiscal Management of Community Housing Providers Funding Shortfall

Vote	Housing and Urban Development
Initiative Title	*N/A*

Contact details

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Issue / advice sought

Our advice to you on the preliminary fiscal forecasts (T2026/385 refers) highlighted a funding gap between the Ministry of Housing and Urban Development (MHUD) and Community Housing Providers (including Kāinga Ora). As this issue was identified late in the process of preparing our preliminary fiscal forecasts the funding shortfall was managed outside of Budget allowances, so impacted on key fiscal indicators. We also noted that we would be engaging with the relevant agencies to confirm a joint position on this issue.

Through Budget 2025, MHUD was provided with time-limited funding to maintain social housing (provided by Community Housing Providers (CHPs)) at current levels. This did not cover the costs associated with Kāinga Ora. We understand this issue has been a known cost pressure, but it has now become more material as information provided by MHUD in the past somewhat masked the scale of the funding shortfall.

Following further discussions with MHUD we have agreed that based on current policy settings, the forecast expenditure provided to CHPs will be more than the current amounts approved in the relevant appropriations.

As there is limited discretion around incurring this expenditure it will need to be reflected in our fiscal forecasts. You have choices around how to manage the increase in costs, and this annex seeks a decision on your preferred option.

Treasury advice

The preliminary fiscal forecasts took a conservative approach to the adjustment, totalling $500 million over the forecast period (refer table below). Following our discussion with the relevant agencies we believe the required adjustment in our final forecasts will be smaller (~$100 million) due to changes in forecast market rent assumptions. However, the amount of the required adjustment will not be confirmed until we receive updated forecasts from agencies, which are due on 13 April 2026.

$million	**2026/27**	**2027/28**	**2027/28**	**2029/30**	**Total**
Adjustment in preliminary forecasts	22.3	94.7	151.2	231.7	499.9

Management of the increase in Community Housing Providers expenses

You have several options on how you could manage the increase in costs that will be reflected in the fiscal forecasts. There are two options:

- ***Option A: manage against Budget 2026.*** You could look to increase the relevant appropriations to align to the expected spending and fund this from the Budget 2026 operating allowance. This would be consistent with the principles of the fiscal management approach and would mitigate the impact on OBEGALx, although it would put pressure on the operating package.

- ***Option B: manage as a pre-commitment against Budget 2027.*** You could decide to manage the impact as a pre-commitment against Budget 2027. Under this option you could defer a decision to allocate funding to the relevant appropriations until the Budget 2027 operating package is considered by Cabinet. This would enable the opportunity to consider policy settings and capture updated data on assumptions. This would mitigate the impact on OBEGALx, although it would put pressure on the operating allowance for Budget 2027. If you decided on this option, ideally, we would need this decision by 16 April to fully reflect this into our forecasts.
- ***Option C: flow through to the fiscal indicators.*** You could decide to increase the relevant appropriations and manage this impact outside of Budget allowances. This would be inconsistent

	with the principles of the fiscal management approach and would have an adverse impact on OBEGALx. **We recommend option A,** as it is consistent with the principles of the fiscal management approach and avoids the risk of reflecting unfunded non-discretionary expenses in the fiscal forecasts. We note that you will be discussing the Resource Management Act investment and other Housing initiatives at your bilateral with Hon Chris Bishop on Tuesday 24 March. The treatment of the forecast expenditure will not directly impact on the broader Housing package, although it may be worth noting the significance of the expenditure in relation to the savings initiatives put forward for Budget 2026. For comparison, Kāinga Ora maintenance savings total $368 million over the forecast period. You have previously agreed for these savings to be managed against the Budget 2026 allowances.
Treasury recommendation	**Indicate** your preference for the treatment of the forecast increase expenditure to Community Housing Providers: Option A (*recommended*): Manage against the Budget 2026 operating allowance *Yes/No* Option B: Manage against the Budget 2027 operating allowance *Yes/No* Option C: Let the impact flow through to fiscal indicators *Yes/No*
Referral to other Ministers	**Refer** this annex to the Minister of Housing *Yes/No*