The Treasury

Budget 2026 Information Release

September 2026

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[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

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[27] 9(2)(ba)(ii) - to protect information which is subject to an obligation of confidence or which any person has been or could be compelled to provide under the authority of any enactment, where the making available of the information would be likely otherwise to damage the public interest

[31] 9(2)(f)(ii) - to maintain the current constitutional conventions protecting collective and individual ministerial responsibility

[33] 9(2)(f)(iv) - to maintain the current constitutional conventions protecting the confidentiality of advice tendered by ministers and officials

[34] 9(2)(g)(i) - to maintain the effective conduct of public affairs through the free and frank expression of opinions

[35] 9(2)(g)(ii) - to maintain the effective conduct of public affairs through protecting ministers, members of government organisations, officers and employees from improper pressure or harassment;

[36] 9(2)(h) - to maintain legal professional privilege

[37] 9(2)(i) - to enable the Crown to carry out commercial activities without disadvantage or prejudice

[38] 9(2)(j) - to enable the Crown to negotiate without disadvantage or prejudice

[39] 9(2)(k) - to prevent the disclosure of official information for improper gain or improper advantage

[40] 18(c)(i) - that the making available of the information requested would be contrary to the provisions of a specified enactment

[41] 18(d) - information requested is or will soon be publicly available

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TE TAI ŌHANGA
THE TREASURY

Treasury Report: Budget 2026 Invitations

Date:	11 September 2025	**Report No:**	T2025/2274
		File Number:	BM-2-1-2026-M125661

Action sought

	Action sought	Deadline
Hon Nicola Willis **Minister of Finance**	Agree to the proposed spending and savings invitations for Budget 2026	By 22 September 2025

Contact for telephone discussion (if required)

Name	Position	Telephone		1st Contact
Thulacksha Thayarooban	Analyst, Budget	[39]	N/A (mob)	
Darius Paschke	Senior Analyst, Budget		N/A (mob)	
Stephen Bond	Manager, Budget		N/A (mob)	✓

Minister's Office actions (if required)

Return the signed report to Treasury.

Note any feedback on the quality of the report	

Enclosure: Yes (attached)

Treasury Report: Budget 2026 Invitations

Executive summary

Our previous advice [T2025/1902 refers] set out that in order to meet your fiscal strategy you will need to minimise new funding and achieve savings over multiple budgets. We indicatively advised that around $5-10 billion of savings could be required over the next two Budgets to meet your fiscal strategy (including an OBEGALx surplus in 2027/28), depending on the degree of spending constraint.

This advice sets out your options and our advice on Budget invitations, which are your first levers to put effect to your Budget 2026 strategy and broader fiscal goals. We recommend you approach these invitations with three objectives in mind:

a **Constrain new funding**: reducing new funding provided over time allows you to phase in significant policy changes that realise savings.

   Therefore, in this advice, we have recommended limited invites, and envelopes that are based on top-down fiscal constraints and would require those agencies to reprioritise.

b **Preserve optionality**: keeping the flexibility to spend less or save more means you can respond to different circumstances between now and Budget (e.g. forecast changes).

   Therefore, we have already advised you to seek self-funding options for all invites. This advice recommends the envelope options you set and your options to commission more savings that could potentially deliver more than you might require at Budget 2026.

c **Prioritise fiscal repair:** keeping sufficient savings options available for fiscal repair (either by keeping them on the table for future Budgets or booking excess savings rather than spending them) will ensure you have sufficient savings options for your fiscal strategy.

   Therefore, while this advice sets out your options to commission more savings options, we recommend that Budget Ministers consider carefully deferring savings that are not necessary to meet core commitments, or using them to improve the fiscal position.

Broadly, our recommended invitations would mean gross new expenditure of up to [37] on top of $1.5 billion in existing pre-commitments against the Budget 2026 allowance. The single largest contributor to this is Defence, [1]

This would require savings of around [37] . Given other pressures likely to emerge, we think continuing to target around [1] and [33] of savings is sensible. Crucially, our invitations do not include any "centrepiece" initiatives you may want to consider (e.g. economic growth measures).

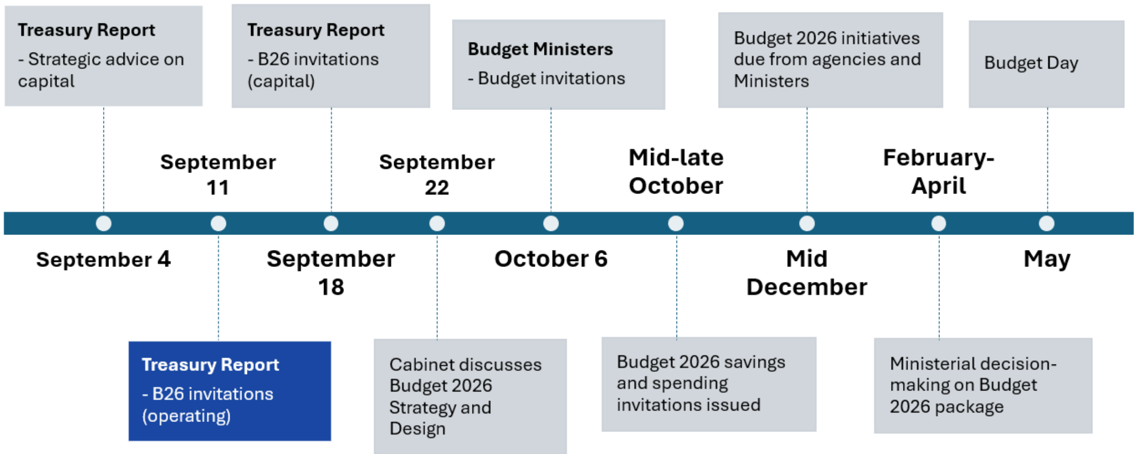
Given current savings workstreams, this means around $0.5 – $1.5 billion will be needed from [33] Holding down expenditure pressures outside of invitations would keep this number towards the lower end.

We are working with your office to schedule time to discuss your feedback on this advice and any further advice you require. Once you have provided feedback, we will draft letters to portfolio Ministers for your review. **We recommend that those letters are sent to portfolio Ministers before your planned international travel from 13 October.**

Purpose of Report

1. This report seeks your decisions on Budget 2026 invitations for non-envelope initiatives, envelope levels, and savings workstreams. Hon Bishop is receiving advice concurrently on recommended spending invites in your Economic Growth and Social Investment portfolios.

2. You will receive advice on 18 September seeking your decisions on capital invites.



3. As in previous years, the invite process is detailed, and we acknowledge that there is a lot of information to review. To support your review, we have split the decisions into key annexes. The table below summarises what they cover and prioritisation if needed.

Annex	Content	Priority level
Annex A	Treasury Advice and Recommendations on Envelopes	Medium – feedback by 22 September would enable it to be incorporated into Budget Ministers material.
Annex B	Treasury Recommended Initiatives for Invitation	
Annex C	Initiatives not recommended for invitation	
Annex D	Baseline Savings Parameters	**High** (implications for Cabinet paper)
Annex E	Medium Term Expenditure Options	**High** (requires conversations with other portfolio Ministers)
Annex F	Targeted Policy Savings Initiatives	Medium – as above

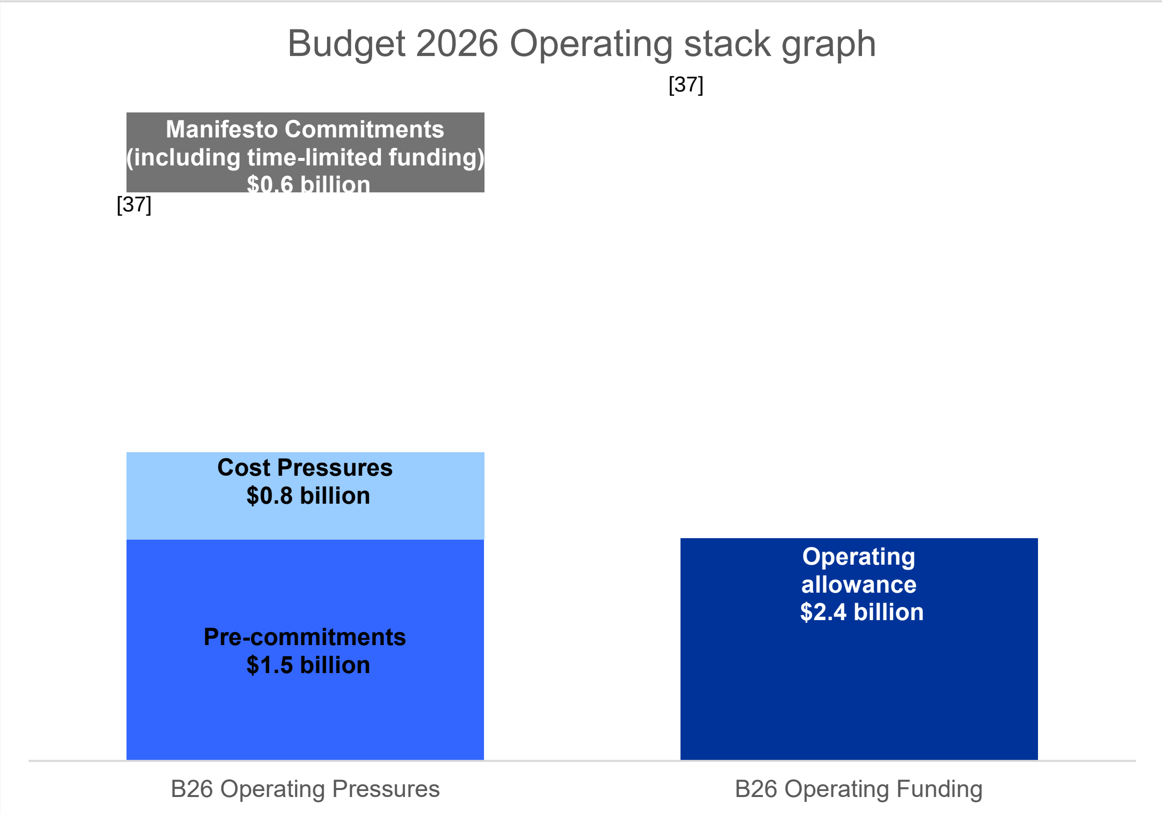
Budget 2026 context

4. Our previous advice on the Budget 2026 Strategy [T2025/1902 refers] set out that achieving your fiscal strategy will mean continuing to identify new savings, constrain new spending further, and sequence and alternatively finance investment decisions over multiple Budgets. In that advice, we estimated that around $5 – $10 billion of savings and reprioritisation will be required over the next two Budgets to fund critical cost pressures and existing coalition commitments, and close the deficit in 2027/28.

5. You already have some work underway to deliver fiscal consolidation (for example, utilising Performance Plans and a number of savings related workstreams). Setting your invitations for Budget 2026 is your next opportunity to give effect to the levers above.

6. Initial analysis in our previous advice estimated that there are operating pressures of around [37] operating per annum at Budget 2026. The Treasury's recommended invites in this advice are around [37] average operating per annum, based on "high" envelopes and no further scaling of initiatives. This does not include any potential centrepiece initiatives that the Government may want to fund in Budget 2026.

7. Based on a tight invitation approach for Budget 2026, the spending pressures in Budget 2027 may be slightly higher, particularly as the Government will need to consider the next round of funding for health cost pressures, will have new and deferred commitments to fund.



8. While the current gap between spending and savings has reduced based on our recommended invites, we still recommend aiming for at least [1] and [33] of savings per annum in Budget 2026. This leaves you with both optionality on which savings to progress and flexibility to ensure that the delivery of savings is on a timeframe that will help meet your fiscal strategy.

9. A greater level of savings options will also help you manage potential downside risks, such as:

   a other Ministerial priorities beyond coalition commitments [33] Flexible Fund and Foreign Affairs);

   b cost pressures that may require funding rather than being managed within baselines (e.g. Oranga Tamariki and Mt Ruapehu make-good liability);

   c materialisation of other specific fiscal risks, including the potential costs of the Wākatu litigation for agencies;

   d the operating implications if Ministers want to spend more on capital investments in Budget 2026;

   e funding centrepiece initiative/s for Budget 2026; and

   f some invited initiatives will cost more than our current estimates.

Spending (Annexes A – C)

10. You have agreed to run a top-down invitation process for Budget 2026 focused on envelopes for priority areas, and limited invites for critical cost pressures and outstanding coalition commitments [T2025/1902 refers].

11. These invites generally cover the “BAU” of your Budget. They do not cover possible centrepiece initiatives. Some initiatives are aligned to your Going for Growth Agenda (e.g. we intend to recommend an invitation for the implementation of Resource Management reform in next week’s capital invitation report), but the majority are more focussed on core services.

12. In considering the focus of any centrepiece initiatives or packages, we continue to recommend a strong focus on initiatives that could boost economic growth and productivity. Areas you could consider include:

    a Options through the Tax and Social Policy Work Programme or other tax measures (e.g. investment boost), noting the significant fiscal costs that could be associated;

    b Asking MBIE to run a process for surfacing non-fiscal measures that could be progressed in the remainder of the current term and/or announced at Budget through the Going for Growth programme.

Envelopes for priority areas

13. You have previously agreed to an envelope approach for Education (Hon Stanford), Defence, Law and Order agencies and Health [T2025/1902 refers].

14. Although these envelopes are in priority areas for the Government, given the need for fiscal constraint, the recommended envelope amounts are based on the Treasury’s top-down assessment of maintaining core public services and delivering outstanding manifesto and coalition commitments. Even the high envelopes will require agencies and Ministers to make trade-offs and prioritisation decisions across their portfolios.

15. While we anticipate you will want to provide portfolio Ministers with discretion on what to prioritise in these envelopes, we recommend that you consider setting upfront expectations and conditions where required (e.g. that cost pressures are prioritised in the low envelopes or if there is a particular coalition commitment you want prioritised in all scenarios).

16. **Annex A** outlines how much the Treasury recommends for each envelope and the associated key judgements and choices.

Cost Pressures

17. We are not recommending inviting cost pressures unless they are unable to be deferred without service delivery failure, funding is required to meet legal obligations, and/or there are limited options for managing pressures with non-spending levers. Cost pressures we have recommended for invitation are set out in **Annex B,** however we wish to draw your attention to the following:

18. **Vote Oranga Tamariki** is facing considerable cost pressures on top of typical wage and inflationary pressures, such as: an increase in reports to Oranga Tamariki (OT) of abuse in the community since 2023, which has put pressure on assessment times and will likely lead to an increase in the volume of children entering OT's care; a continued increase in the proportion of high needs children in OT's care; and the expiry of time-limited funding in December 2025 for service contracts, following Ministerial intervention in OT's savings programme in April 2024. The lack of detailed analysis on drivers of spend, [33] , make it difficult to determine how much of these cost pressures could be managed within baselines.

    We recommend targeted invitations for select cost pressures at Budget 2026. As a condition of any invitations, however, we recommend you set an expectation that OT identifies options to manage the increasing volume of high needs children in its care and identifies opportunities for efficiencies in its Report of Concern process. We are talking with OT's leadership team about what support they might need from central agencies.

New Spending

19. We recommend limiting new spending invitations to outstanding or partially delivered commitments in the coalition agreements and the National Party policy programme, and initiatives with time-limited funding where we understand there are commitments to continue the programme. **Annex B** sets out the initiatives we recommend inviting.

20. We have not recommended inviting initiatives that are considered Ministerial priorities in areas which are not covered in the coalition and National Party policy programme. A list of these initiatives is provided in **Annex C**. However, there are several key judgements that we wish to draw to your attention below.

21. **Vote Foreign Affairs:** You agreed to not provide an envelope for Foreign Affairs [T2025/1902 refers] and therefore we have assessed specific initiatives against the criteria set out for invitations. Following our assessment, we do not recommend inviting any initiatives in Vote Foreign Affairs into Budget 2026.

    Cabinet has noted [FPS-25-MIN-0020] that the Minister of Foreign Affairs intends to discuss with you a potential Budget 2026 invitation to address the funding reduction in the International Development Co-operation (aid budget) appropriation, to fund priority activities in the Southeast Asia region. MFAT have signalled that up to $72.3 million operating per annum would be sought. We do not recommend inviting this initiative, as we consider that it is reasonable to expect prioritisation within the aid programme.

22. **Hon Seymour's portfolios in Vote Education:** You agreed that the Education envelope will not include initiatives for the Associate Minister of Education and to instead invite initiatives for his portfolios on a case-by case basis [T2025/1902 refers].

We have considered other potential initiatives in the Early Childhood Education (ECE) and school choice portfolios and do not recommend inviting them into Budget 2026 (see **Annex C**). On that basis, our recommendation that you should not set an envelope remains in place. However, if you wish to invite more initiatives for the Associate Minister of Education, we can provide you with further advice on a potential envelope.

23. [33]

Savings (Annexes D – F)

24. The following section provides a brief overview of each current savings workstream underway and responds to your request at Budget Matters that we canvass a wide set of savings options to build as much flexibility as possible.

Targeted policy savings

25. There are [33] workstreams underway in this space, including work in welfare reform, working for families, and social housing. If Ministers wished to go further, additional targeted policy savings could be considered.

26. These might include changes to specific grants or subsidies, adjustments to demand-driven programmes, or other policy levers that reduce future fiscal pressure. The scale, timing, and feasibility of these options would vary, but collectively they provide an additional set of choices alongside the broader savings streams.

Specific measures through the Tax and Social Policy Work Programme (TSPWP)

27. On 28 July, you and the Minister of Revenue provided initial steers on updating the TSPWP. On 4 September, the Treasury and Inland Revenue provided further detailed advice to confirm the updated TSPWP [T2025/2293 refers]. Pending your confirmation, there are a range of revenue positive (and negative) initiatives on the table for Budget 2026.

28. In the context of identifying further savings, you could reconsider three measures that you agreed to no longer progress [33] , and imputation credit flushing), or aim for more savings from the Research and Development Tax Incentive. We have included these options for your decision in **Annex F**.

Significant policy choices – options to accelerate medium-term work for Budget 2026

29. The approach to savings at Budget 2026 sits in the broader medium-term approach to constrain expenditure growth. In June you agreed that this requires reforms to the underlying policy settings that drive transfer and cost pressures [T2025/1119 refers]. The nine policy areas you prioritised for medium-term reform encompass all the largest areas of spending in government (see **Annex E** for a brief update on each area).

30. You met with Hon Upston on 8 September to continue your discussion on welfare reform options for Budget 2026 and beyond. The Ministry of Social Development (MSD) provided a long-list of savings options. You provided a clear steer on which options to progress through [33]

31. Of the medium-term reform areas, only welfare reform is currently targeting Budget 2026. Most other areas have policy work underway targeting future Budgets – and in some cases fiscal benefits are expected to be firmly in the medium-term. This sequencing of policy change over time ensures you can deliver future Budgets within allowances.

32. At Budget Matters you asked for advice on whether any of the areas targeted for medium-term reform could be considered for implementation through Budget 2026. There are five policy areas where the necessary policy levers are in place, [33]

33. For welfare reform [33] , we will:

a work with MSD to update Inland Revenue and the Ministry of Housing and Urban Development on the welfare reform work programme, and the expectation that savings will be delivered to the centre from Working for Families and social housing,

b consider how to best to align work across welfare reform, Working for Families, and the Review of Social Housing,

c work with MSD to provide further advice on options for welfare reform for Budget 2026, and

d support your office to organise meetings with the Minister of Housing and Minister of Revenue to discuss welfare reform.

34. [33]

35. If you wish to consider savings from other areas through Budget 2026, we recommend a discussion with the relevant Minister and their agency on the level of savings ambition, potential options that could achieve this and how this would interact with existing work that is targeting future Budgets.

Previous savings options

36. At Budget Matters you indicated that you would like to consider wider ideas for savings, as well as previously deferred or declined savings proposals. We have included these options for your decision in **Annex F**.

37. We have not included savings options that would conflict with coalition commitments or your public statements (e.g. changes to apprenticeship boost, fees free, or the screen production rebate). For the screen production rebate, while no savings options have been included, we have included in the cost pressure invite (to Minister Bishop) a recommendation that cost pressure management options be put forward in line with standard practice for cost pressure bids.

Baseline reductions

38. A key question you asked the Treasury is how achievable a baseline reduction would be. In this section we set out why we consider a baseline reduction could be feasible but acknowledge that there are trade-offs this style of programme would come with. **Annex D** outlines the parameters of a possible baseline reduction, seeks your agreement to them, and also provides indicative baseline reduction targets and ways to achieve these. Our analysis shows that, while a reduction of this nature would require agencies to make deliberate prioritisation choices, it is within the bounds of what could realistically be delivered.

39. Early estimates indicate a target rate of 3-4% could deliver around $250 to $400 million in savings for Budget 2026 (depending on exclusions you may wish to make), or around 10-15% of the likely Budget 2026 savings required. This illustrates that baseline reductions can form part of the solution, but that Ministers will need to weigh whether the scale of savings achieved from a programme like this justifies the associated trade-offs and impacts.

40. As indicated previously, we have engaged, alongside Public Service Commission, with select agency Chief Executives and senior leaders (including from Customs, Department of Conservation, Inland Revenue, and Department of Internal Affairs, and Ministries of/for Business, Innovation and Employment, Social Development, Primary Industries, and Regulation). Engagements with Chief Executives confirmed that achieving the savings will require substantive change in how the public sector is organised and how it delivers services.

41. While there is no single solution for Budget 2026, consistent themes emerged around opportunities to consolidate overlapping functions (particularly in the regulation and commissioning space), make greater use of digital and data (to drive improved outcomes for citizens), and improve financial management.

42. Other areas raised included addressing barriers to information sharing, maximising procurement, and taking a more active approach to balance sheet management. Most of the initiatives identified are medium-term in nature, aimed at improving efficiency and effectiveness, though they should also help reduce or avoid future costs.

43. Feedback from these engagements indicated that – with some exceptions – most agencies/Chief Executives expect some kind of savings target. Most have therefore started planning for this likelihood and they believe a small rate over multiple years would be achievable. The next steps through these engagements alongside Public Service Commission will be a report back on the opportunities to proceed forward in this space.

44. To implement a baseline reduction through your Budget invitation letters, your decision is needed to finalise parameters (such as target rates and the base against which these are calculated). These options are outlined in **Annex D**.

Tagged contingencies

45. As part of the broader savings exercise, we intend to undertake a review of existing tagged contingencies (both operating and capital) to assess their suitability, and alignment with current priorities. This review would provide an evidence-based view on whether funding held in contingency remains necessary, or whether some or all of it could be returned to the centre to support fiscal pressures.

Next Steps

46. You will receive separate advice on capital investment initiatives next week.

47. You have a Budget Ministers meeting scheduled on 6 October to discuss and agree your invitations. We will provide you with draft slides on 25 September.

48. Once you have indicated decisions on invites, we will provide you with letters to portfolio Ministers for review. **We recommend that you issue these letters before your planned international travel on 13 October.** That will ensure that agencies have sufficient time to generate high quality initiatives, particularly for savings.

Recommended actions

We recommend that you:

a **agree** to recommend to Cabinet to proceed with a Baseline Reduction;

agree / disagree

b **indicate** your decisions on the recommendations within Annexes A to F; and

Annex	Content	Decision sought within Annex
Annex A	Treasury Advice and Recommendations on Envelopes	Agree to levels of envelopes and agencies/portfolios included
Annex B	Treasury Recommended Initiatives for Invitation	Agree to invite individual initiatives
Annex C	Initiatives not recommended for invitation	Indicate your decisions on initiatives not recommend for invitation
Annex D	Baseline Savings Parameters	Indicate your decisions on the parameters for baseline reductions
Annex E	Medium Term Expenditure Options	Indicate your decisions on options to consider for Budget 2026
Annex F	Targeted Policy Savings Initiatives	Agree to invite individual targeted policy savings initiatives

c **note** that Treasury recommends you issue invitation letters before 13 October.

Stephen Bond
Manager, Budget

Hon Nicola Willis
Minister of Finance

_____/_____/_______

Annex A: Treasury Advice and Recommendations on Envelopes

This annex provides you with Treasury's advice and recommendations on envelopes. It seeks your decisions on the low, medium and high envelopes for Education (Hon Erica Stanford), Law and Order, Health and Defence. It also seeks your decisions on which votes and/or portfolios to include in envelopes, where relevant.

Envelope - Education (Hon Erica Stanford's portfolios)

<table>
<tr><th rowspan="3">Envelopes ($m operating per annum)</th><th colspan="3">Budget 2026 Recommended Envelopes</th><th colspan="3">Budget 2025 Envelope</th><th rowspan="2">Budget 2025 funding provided</th></tr>
<tr><th>High</th><th>Mediu m</th><th>Low</th><th>High</th><th>Medium</th><th>Low</th></tr>
<tr><td>300</td><td colspan="7">[38]</td></tr>
<tr><td>Key judgements and choices</td><td colspan="7">
The current high envelope is focused on maintaining delivery of core education services
Budget 2025 provided significant new funding for Education cost pressures [38] , which underpinned the relatively high envelopes set last year) and new spend priorities (including the learning support package), partly offset by reprioritisation initiatives.
The high envelope would fund around 75% cost pressures identified and quantified by the Ministry. It assumes one year of school maintenance funding, which is a departure from the approach taken in Budget 2025, where significant funding was accounted for in setting the envelope.
All envelope scenario would require significant reprioritisation, at least similar to that of Budget 2025, to fund any new spend priorities or remaining cost pressures. As options such as Kāhui Ako have already been used, previously ruled out reprioritisation options would need to be reconsidered.
While the Minister of Education would have discretion on what was included in the envelope at each level, broadly this would cover:

High envelope – medium envelope plus additional funding for school property.
Medium envelope – low envelope plus limited additional funding for core areas of learning support, payroll, and KiwiSaver costs for school and learning support staff (not just teachers and principals).
Low envelope – funding for critical/legally obligated frontline pressures, and KiwiSaver costs for teachers, kindergartens, and principal staff only.

You have a choice to increase the high envelope by a limited amount to create some headroom for new spend priorities.
Increasing the high envelope to $350 million per annum would create a small amount of headroom for new spend priorities, in areas such as:

NCEA reform, which we understand to be a key priority for the Minister of Education this Budget,
Manifesto commitments in the initial teacher education space,
Replacing both Education Payroll and NZQA's legal systems, which are both reaching their end of life.

In any scenario, we recommend including Vote Education Review Office (ERO) initiatives within the envelope, which is consistent with Budget 2025.
</td></tr>
</table>

Recommended actions	***a*** **agree** to an Education (Hon Stanford) envelope amount: **Option 1:** high: 300, medium: [37] and low: [37] *Agree / Disagree* **Option 2:** high: 350, medium: and low: *Agree / Disagree* b **agree** that the Education (Hon Stanford) envelope should include Education Review Office initiatives *Agree / Disagree*

Envelope - Law and Order

Envelopes ($m operating per annum)	Budget 2026 Recommended Envelopes			Budget 2025 Envelope			Budget 2025 funding provided
	High	Medium	Low	High	Medium	Low	
	350	275	200	502	340	187	335

Key judgements and choices

We have recommended slightly higher envelopes for law and order agencies relative to the other envelopes given there are significant cost pressures with limited options for manage them down (such as prisoner population).

- The **high envelope** is based on estimated funding for operating costs of two public private partnerships [33] and [37] and the Waitakere and Rotorua Courthouses), cost pressures [38] and prisoner volume), other Ministerial priorities (such as youth justice initiatives) and capital investments.
- The **medium envelope** would likely deprioritise more discretionary initiatives that can be deferred.
- The **low envelope** would likely focus on cost pressures for Police and Corrections only [33] and [37] .

We recommend setting expectations regarding out of cycle requests

There is currently a large amount of out of cycle funding requests being sought by law and order Ministers. We recommend setting an expectation that any funding ahead of Budget 2026 will be offset against the envelope.

We recommend permitting other agencies to be in the envelope but not providing indicative agency allocations

We recommend that in addition to Corrections, Police and Justice, the envelope includes the Serious Fraud Office, Crown Law and youth justice (administered by Oranga Tamariki), given their role within the justice sector.

We also recommend that the Centre for Family Violence and Sexual Violence Prevention (the Centre) is invited to submit an initiative through the envelope to develop a national data-sharing model and associated technology to allow relevant agencies to share information and to alert agencies to emerging FVSV risks.

The Centre considers Project Whetū to be a strategic enabler for the delivery of Te Aorerekura, the National Strategy for Elimination of Family and Sexual Violence. Joint Ministers approved a partial draw down of a tagged contingency for a detailed business case in June 2025. While the intended impacts of this initiative are broader than the justice sector, given the strong connection we recommend this also be included in the envelope.

We recommend not providing indicative agency allocations to incentivise agencies to work together to determine the best use of any new funding. The risk of this approach is that potentially high priority initiatives are crowded out through negotiations. To mitigate this, we recommend noting specific priority initiatives for submission in the invitation letters.

Recommended actions

c **agree** to Law and Order envelopes of high: 350, medium: 275 and low: 200

Agree / Disagree

d **agree** that the envelope covers Serious Fraud Office, the Crown Law Office and Centre for Family Violence and Sexual Violence Prevention (as well as the Ministry of Justice, Department of Corrections, and New Zealand Police)

Agree / Disagree

Envelope - Defence

Envelopes ($m operating per annum)	Budget 2026 Recommended Envelopes			Budget 2025 Envelope			Budget 2025 funding
	High	Medium	Low	High	Medium	Low	
	[1]			350	275	225	350
Key judgements and choices	***The recommended "high" envelope is based*** [1] The high envelope (alongside the associated capital funding for Defence Capability Plan (DCP) investments), [1] This would fund all DCP investments [33] ***There is a case for a lower envelope this year*** While we have suggested an envelope [1] , the majority of the funding covers cost pressures we consider to be highly scalable rather than increasing Defence capability. Economic growth and inflation [1] are highly uncertain and will have a much larger impact on the expenditure required [1] than the allocation in a single Budget. Given the current fiscal context, we think that there is a strong case for reducing the Defence envelopes to [1] to reflect a more scaled set of cost pressures and a focus on DCP investments. [1] ***The envelope should include funding for the new initiative for NZSIS and GCSB*** We understand you and the Hon Collins have discussed a potential invitation for Budget 2026 for GCSB and NZSIS for new spending and cost pressure. Given the aligned focus of these agencies and Defence, we recommend including them in the envelope to enable trade-offs and prioritisation.						
Recommended actions	***e*** **agree** to a Defence envelope amount: **Option 1:** [1] *Agree / Disagree* **Option 2:** [1] *Agree / Disagree* ***f*** ***agree*** that the Defence envelope includes Government Communications Security Bureau and New Zealand Security Intelligence Service (as well as New Zealand Defence Force and the Ministry of Defence) *Agree / Disagree*						

Envelope - Health

<table>
<tr><th rowspan="2">Envelopes ($m operating per annum)</th><th colspan="3">Budget 2026 Recommended Envelopes</th><th colspan="3">Budget 2025 Envelope</th><th rowspan="2">Budget 2025 funding for Vote Health (excluding cost pressure uplift)</th></tr>
<tr><th>High</th><th>Medium</th><th>Low</th><th>High</th><th>Medium</th><th>Low</th></tr>
<tr><td></td><td>200</td><td colspan="2">[37]</td><td colspan="3">No envelope provided</td><td>382</td></tr>
<tr><td>Key judgements and choices</td><td colspan="7">

The recommended envelope is based on delivering several outstanding coalition Health commitments.

There are a significant number of outstanding coalition commitments related to Health (some of which were partially funded in Budgets 2024 and 2025) as well as broader priorities for Health portfolio Ministers.

Other envelopes have included an assumption of some level of reprioritisation to fund further initiatives, on top of the new funding provided through the envelope. Given the wider fiscal environment and the level of likely savings required from Health New Zealand's baseline to reduce its deficit, further reprioritisation options within Vote Health are likely to be limited. Therefore, Ministers will need to prioritise which of these new spending initiatives should be funded in Budget 2026. The size of the recommended envelope reflects this.

- The high envelope is based on funding KiwiSaver and funded sector pay equity costs, and several of the most significant outstanding coalition health commitments and/or other Ministerial priorities (such as [33]
- The medium envelope would reduce the number of new spending commitments that can be funded.
- The low envelope would be sufficient for KiwiSaver and funded sector pay equity costs only and possibly one or two lower cost coalition commitment.

You could consider a discrete invitation for Pharmac and reduce the envelope.

We recommend that the envelope includes all Health portfolio Ministers in order to prioritise what is most important across the whole health sector and system. However, we understand Hon Seymour has high ambitions for additional funding for Pharmac in Budget 2026. Given the relative size of the potential Pharmac funding request (we understand this could be several hundred million per annum), you could consider a discrete invitation for Pharmac and reduce the remainder of the Health envelope to 175/140/100.

</td></tr>
<tr><td>Recommended actions</td><td colspan="7">

g agree to either Option 1 or 2:

<table>
<tr><th>Inclusion of portfolio Ministers</th><th>Size of the envelope</th></tr>
<tr><td>Option 1: the health envelope covers all health Ministers

Agree / Disagree</td><td>High: 200, medium: [37] low: [37]

Agree / Disagree</td></tr>
<tr><td>Option 2: a discrete invitation for Hon Seymour for Pharmac with the health envelope covering the remaining health portfolio Ministers

Agree / Disagree</td><td>High: 175, medium: 140, low: [37]

Agree / Disagree</td></tr>
</table>

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

Annex B: Recommended Initiatives for Invitation into Budget 2026

This Annex seeks your agreement to invite individual initiatives into Budget 2026, which the Treasury considers meets the following threshold for invitation:

Cost Pressure

- Unable to be deferred without service delivery failure,
- Funding is required to meet legal obligations,
- There are limited options for managing pressures with non-spending levers.

Other New Spending including Manifesto Commitment

- Outstanding or partially delivered commitments in the coalition agreements and National Party Policy Programme
- Initiatives with time-limited funding where we understand there are commitments to continue the programme

This annex contains descriptions and advice on individual initiatives, including the possible quantum of the initiative where it is known. It also contains possible conditions on invitation for initiatives where relevant. We will provide you with further advice on conditions as you finalise invitation letters to portfolio Ministers.

[33]

Agriculture, Biosecurity, Forestry and Food Safety - Aquaculture Settlements - Delivering on the Crown's Legislative Obligations

Vote	Agriculture, Biosecurity, Forestry and Food Safety
Track	Cost Pressures - Core Services
Description	This initiative allows the Crown to meet its legislative Treaty settlement obligations under the Māori Commercial Aquaculture Claims Settlement Act 2004. The Act requires the Crown to periodically make reconciliation 'top up' payments and prospectively settle for new aquaculture space. MPI anticipates in the next 18 months they will need to progress negotiations to settle a new regional agreement for Otago and commence the second reconciliation process for existing regional agreements.
Operating Average Per Annum ($m)	Unknown at this time
Total Capital ($m)	Click or tap here to enter text.
Rationale for invitation	Meets the definition of a critical cost pressure
Treasury advice	We recommend inviting this initiative as aquaculture Treaty settlements are a non-discretionary obligation for the Crown. The funding requirements are largely formula-driven based on anticipated and reconciled industry growth. Existing funding (received at Budget 2023) for the current round of settlements being negotiated is anticipated to be insufficient to meet upcoming settlement liabilities over the next 18 months (but it may partially offset some of these costs). MPI is procuring an independent valuation and at this stage the quantum of Crown liabilities is unknown. We will continue to work with MPI on the timing of the upcoming settlement requirements and whether some or all could be deferred to a future budget.
Conditions on Invitation	Confirmation of the timing for upcoming settlements (including consideration whether some or all could be deferred to a future budget). Completion of an independently reviewed financial valuation model to estimate the Crown's liabilities.
MoF Decision	a. Agree to invite this initiative into Budget 2026 *Agree / disagree*

[36]

Arts, Culture and Heritage - Domestic Screen Production Rebate

Vote	Arts, Culture and Heritage
Track	Time-limited Funding
Description	Funding to meet demand from eligible New Zealand productions for the New Zealand Screen Production Rebate. Forecast expenditure is uncertain and current funding is time limited until 30 June 2027.
Operating Average Per Annum ($m)	45
Total Capital ($m)	Click or tap here to enter text.
Rationale for invitation	Time-limited with commitments to deliver
Treasury advice	We recommend inviting this initiative as it currently has time-limited funding with commitments to deliver beyond the funded period. The Ministry for Culture and Heritage was provided time-limited funding for the rebate in Budget 2025 and directed to do further work on detailed options for controlling the ongoing fiscal cost of the scheme in advance of Budget 2026, with any policy changes developed from this considered and implemented through Budget 2026. We consider that any policy changes should be agreed separately through a formal Cabinet paper, with the associated costs then managed through Budget 2026. This would provide Ministers with visibility on all policy options being considered (including associated risks and trade-offs) and ensure sufficient time for implementation. As funding is time limited until 2027/28, we note that any changes to the scheme will result in avoided future costs rather than actual savings.
Conditions on Invitation	MCH should be invited to present an option for controlling the ongoing fiscal costs of the scheme from 2027/28 and the ongoing baseline it would require once implemented. An additional condition could also be imposed requiring MCH to prepare a separate Cabinet paper on policy options ahead of Budget decisions, with fiscal implications managed through Budget 2026.
MoF Decision	a. Agree to invite this initiative into Budget 2026 *Agree / disagree*

Assorted Votes - Wakatū Settlement

Vote	Conservation, Corrections, Education, Lands, Police, Transport, Social Development
Track	Cost Pressures - Core Services
Description	This initiative is a placeholder for non-discretionary cost pressures related to the delivery of core government services resulting from the transfer of Crown land and improvements under Stafford v Attorney General.
Operating Average Per Annum ($m)	TBC
Total Capital ($m)	Click or tap here to enter text.
Rationale for invitation	Meets the definition of critical cost pressure
Treasury advice	We recommend inviting this initiative as it is a non-discretionary cost pressure that the agencies have limited control over. We recommend inviting this initiative outside of the Education envelope for Vote Education, and outside the Law and Order envelope for Votes Corrections and Police. As negotiations progress and Cabinet takes decisions by the end of 2025 on a negotiated settlement, a determination can be made whether this initiative is required.
Conditions on Invitation	Click or tap here to enter text.
MoF Decision	a. Agree to invite this initiative into Budget 2026 *Agree / disagree* b. Agree that this initiative will be treated outside of envelopes for Votes Education, Corrections and Police *Agree / disagree*

Business, Science, and Innovation - Interim Crown Funding for the Insolvency and Trustee Service

Vote	Business, Science, and Innovation
Track	Cost Pressures - Core Services
Description	This initiative seeks funding to partially reverse a Budget 2024 Cabinet decision to replace Crown funding with third-party revenue for administering company liquidations from 1 July 2025. Due to legislative delays, the levy was not introduced in time for implementation by 1 July 2025, and Crown funding was sought in Budget 2025 to cover service costs for the 2025/2026 financial year. There is a risk that there will be further legislative delays and if this were to occur, the levy may not be implemented by 1 July 2026, requiring $1.56 million to fund the service for the 2026/2027 financial year.
Operating Average Per Annum ($m)	0.39
Total Capital ($m)	0
Rationale for invitation	Meets the definition of a critical cost pressure
Treasury advice	We recommend inviting this initiative as it is a non-discretionary cost pressure that the agency has limited control over. The proposed levy to replace Crown funding for the Insolvency Trustee Service, agreed to in Budget 2024, depends on the timely passage of the Corporate Governance Amendment Bill. The de-prioritisation of the Bill from the 2025 Legislation Programme risks postponing the levy's implementation beyond July 2026. This would require $1.56 million in Crown funding to sustain the Official Assignee's operations in 2026/27. Interim funding is needed to ensure the Official Assignee can meet its legal obligations, as service delivery would otherwise be compromised, increasing the risk of Crown liability for unaddressed assets.
Conditions on Invitation	Support for this initiative is conditional on the de-prioritisation of the Corporate Governance Amendment Bill from the 2025 Legislation Programme.
MoF Decision	a. Agree to invite this initiative into Budget 2026 *Agree / disagree*

Business, Science, and Innovation - Undisclosed Energy/Resources item

Vote	Business, Science, and Innovation
Track	New Spending Pressures including Manifesto Commitments
Description	There are a number of critical challenges occurring in the energy sector. The Government has several workstreams underway considering the response to the electricity market review and the challenges presented by gas supply shortages. As this is evolving (both the situation and the policy work), at this stage the fiscal implications for the Crown (and through Budget) are not clear. There is potential for policy proposals that could emerge to support the economy adapt to gas challenges – what these look like and potential costs which would need to be considered through Budget.
Operating Average Per Annum ($m)	TBC – requires more information
Total Capital ($m)	TBC - requires more information
Rationale for invitation	Meets the definition of a critical cost pressure
Treasury advice	[Sensitive] We recommend a placeholder line so that energy challenges can be considered as part of Budget 2026 even though the exact policy response is not yet confirmed.
Conditions on Invitation	Placeholder
MoF Decision	a. Agree to invite this initiative into Budget 2026 *Agree / disagree*

[33]

Customs - Maintenance, staff, and inflationary cost pressures

Vote	Customs
Track	Cost Pressures - Core Services
Description	Cost pressures highlighted through Customs 2024 Performance Plan. These relate to: replacing existing assets and investing in new technology, staff remuneration, IT and insurance costs, and all other inflationary operating pressures.
Operating Average Per Annum ($m)	7.68
Total Capital ($m)	Click or tap here to enter text.
Rationale for invitation	Meets the definition of a critical cost pressure
Treasury advice	We understand that you agreed with the Minister of Customs at Budget 2025 that a cost pressure bid could be submitted for consideration in Budget 2026 (Customs' cost pressure bid was declined in Budget 25 as the pressures did not become material until 2026/27). We, therefore, recommend inviting this initiative for further consideration at Budget 2026. While Customs have yet to provide detailed information on cost pressures and service delivery impacts of managing these within baselines, as a largely operational organisation, cost pressures may be more likely to impact 'frontline' services, such as border clearance.
Conditions on Invitation	Invitation should be subject to Customs providing further information on costings and service delivery impacts.
MoF Decision	a. Agree to invite this initiative into Budget 2026 *Agree / disagree*

Education - Cost adjustment for early childhood education subsidies

Vote	Education
Track	Cost Pressures - Core Services
Description	A cost adjustment for ECE subsidies is sought at every Budget. The Associate Minister of Education may seek a 3% cost adjustment (1% above inflation) to meet increased costs associated with delivering ECE. These increased costs may include wage pressures on the ECE sector depending on the outcomes of teacher and principal collective bargaining, given bargaining's impact on kindergarten rates.
Operating Average Per Annum ($m)	75
Total Capital ($m)	0
Rationale for invitation	Meets the definition of a critical cost pressure
Treasury advice	We recommend that early childhood education (ECE) initiatives are invited into Budget 2026 as a fiscally neutral package i.e. that any new spend or cost pressure initiative is offset by reprioritisation options within existing ECE funding. There are genuine cost pressures in parts of the ECE sector, but given the existing significant investment in ECE, we consider it appropriate for these costs to be met from reprioritisation and redistribution of existing ECE investment. We recommend any more significant ECE reform work be considered once the ECE funding review is complete, which is currently scheduled for mid-2026.
Conditions on Invitation	This initiative should be invited on the condition that any ECE new spend or cost pressure initiative/s are fully offset by reprioritisation options from within existing ECE baseline funding, to improve value for money of existing ECE investment.
MoF Decision	a. Agree to invite this initiative into Budget 2026 *Agree / disagree*

Education - Ka Ora, Ka Ako | Healthy School Lunches Programme

Vote	Education
Track	Time-limited Funding
Description	The Associate Minister of Education may seek a further two years of time-limited funding to continue the status quo of the Ka Ora, Ka Ako | Healthy School Lunches Programme. This would be done with a view on a potentially significant cross-agency work programme focusing on a new delivery model for the Programme. This may inform a Budget 2028 initiative. We understand the Associate Minister of Education is taking a paper in late September to Cabinet to signal this intention.
Operating Average Per Annum ($m)	120
Total Capital ($m)	0
Rationale for invitation	Time-limited with commitments to deliver
Treasury advice	We recommend inviting this initiative as it is currently time-limited with intentions to deliver beyond the funded period. Based on the contents of a draft cabinet paper, we understand the Associate Minister of Education may seek a further two-year time-limited funding to continue the programme in its current form, while further cross-agency work is progressed on what the delivery model should look like long term.
Conditions on Invitation	Click or tap here to enter text.
MoF Decision	a. Agree to invite this initiative into Budget 2026 *Agree / disagree*

[33]

[33]

Health - Capital Charge

Vote	Health
Track	Cost Pressures - Core Services
Description	Health NZ's capital charge costs for post-2019 new health investment are met from a contingency. Without policy change, some Budget 2026 funding is likely to be required as the current contingency will likely be exhausted before Budget 2027. At Budget 2025 a bid for a $430 million top-up was deferred, and the Budget 2026 bid is likely to be significantly larger.
Operating Average Per Annum ($m)	100 – 250* ** one-year funding would likely cost approx. $180m in 26-27, so would average $45 million per annum over forecast period)*
Total Capital ($m)	0
Rationale for invitation	Meets the definition of a critical cost pressure
Treasury advice	We recommend inviting this initiative into the Budget process as it is a non-discretionary cost pressure that the agency has limited control over, however we recommend funding it outside the envelope in recognition of its non-discretionary nature within current capital charge rules. You will have options during the decision-making process on the extent to which you fund this bid, including one-year funding options deferring subsequent costs to a future Budget. New funding would count against your operating allowance, but Health NZ would then return the funding to the Crown as part of its capital charge. As such this funding would have a positive impact on OBEGALx and the operating balance compared to spending the allowance on other operating expenditure that would flow through to those measures.
Conditions on Invitation	Click or tap here to enter text.
MoF Decision	a. Agree to invite this initiative into Budget 2026; and *Agree / disagree* b. Agree to invite this initiative outside the Health envelope. *Agree / disagree*

Housing and Urban Development - Further funding for flexible fund

Vote	Housing and Urban Development
Track	New Spending Pressures including Manifesto Commitments
Descriptio n	Through Budget 2025, a new investment approach was established for Housing to streamline programmes, improve value for money and create flexibility to meet housing needs. The fund currently consists of $41 million operating funding over four years and $250 million capital funding over the next ten years for additional houses from 1 July 2027. Subject to further design work on the fund, this will enable up to 650-900 social homes and affordable rentals
Operating Average Per Annum ($m)	25-62.5
Total Capital ($m)	100-250
Rationale for Exclusion	Undelivered / Partially delivered coalition commitment
Treasury advice	We have recommended inviting consideration of further funding for the housing Flexible Fund in order to allow exploration of the urgency and need. However, we are awaiting further information from the Ministry of Housing and Urban Development to support these considerations and note that Funding is yet to be drawn down for the Budget 2025 investment in the flexible fund, and there may be opportunities to phase that investment over time, reducing the need for new funding in Budget 2026. There may also be opportunities to use reprioritisation to fund any additional investments through Budget 2026.
MoF Decision	a. Agree to invite this initiative into Budget 2026; *Agree / disagree*

Housing and Urban Development - Going for Housing Growth: Pillar 3 - Incentives for Councils

Vote	Housing and Urban Development
Track	New Spending Pressures including Manifesto Commitments
Description	Financial incentives for councils and communities to support housing growth, including investigating options for GST sharing.
Operating Average Per Annum	25-125
Total Capital	Click or tap here to enter text.
Rationale for invitation	Undelivered / Partially delivered coalition commitment
Treasury advice	We recommend inviting this initiative as it is an undelivered / partially delivered coalition commitment.
Conditions on Invitation	Click or tap here to enter text.
MoF Decision	a. Agree to invite this initiative into Budget 2026 *Agree / disagree*

Internal Affairs - 2026 General election support

Vote	Internal Affairs
Track	Cost Pressures - Core Services
Description	Funding for costs incurred in preparing for and delivering the transition to the incoming executive following the 2026 General Election.
Operating Average Per Annum ($m)	Approximately $5 million
Total Capital ($m)	Click or tap here to enter text.
Rationale for invitation	Meets the definition of a critical cost pressure
Treasury advice	We recommend this initiative is invited for Budget 2026 given the non-discretionary nature and timing of the costs which aim to support the incoming executive and Ministers. DIA are typically provided one-off funding to support transition costs ahead of each election. It is difficult to determine costs without engaging with the agency but as a reference, Budget 2023 provided around $14m over the forecast period and a capital injection of $0.25m. An additional $5m was set aside in a tagged contingency to provide flexibility for any additional costs incurred.
Conditions on Invitation	Click or tap here to enter text.
MoF Decision	a. Agree to invite this initiative into Budget 2026 *Agree / disagree*

Labour Market - Immigration fee / levy memo account in deficit

Vote	Labour Market
Track	Cost Pressures - Core Services
Description	MBIE's immigration fee memorandum account and hypothecated levy account are in deficit (T2025/1464 refers). This deficit position is not sustainable, and a cash injection may be needed to avoid impacting visa processing, enforcement, and the delivery of Our Future Services.
Operating Average Per Annum ($m)	-
Total Capital ($m)	133
Rationale for invitation	Meets the definition of a critical cost pressure
Treasury advice	We recommend inviting this initiative as it is a non-discretionary cost pressure. MBIE has indicated that it may not be able to manage the cash impact of the deficit beyond 2025/26 from its balance sheet which could result in inability to provide visa services. There is considerable uncertainty about the quantum that may be required: MBIE is providing advice on the expected impact of the deficits on its cash position and the revenue and expenditure options available to manage the deficit. Similarly, the revised Our Future Services financial business case will be confirmed in October (we will provide you with further advice on both, once we have received information from MBIE).
Conditions on Invitation	If invited, we recommend it is with the condition that Immigration New Zealand exhausts all options to reduce immigration expenditure and presents scaling options for Our Future Services.
MoF Decision	a. Agree to invite this initiative into Budget 2026 *Agree / disagree*

Oranga Tamariki - Increasing complexity of children in care

Vote	Oranga Tamariki
Track	Cost Pressures - Core Services
Description	The proportion of children in OT's care with a need for long-term, specialist care, as a result of a disability and/or mental health need has been increasing over the past decade. OT has legal obligations to provide specialist care to these children under the Oranga Tamariki Act 1989.
Operating Average Per Annum ($m)	[33]
Total Capital ($m)	Click or tap here to enter text.
Rationale for invitation	Meets the definition of a critical cost pressure
Treasury advice	[34]
Conditions on Invitation	We recommend stipulating a condition that Hon Chhour identifies policy options for managing this cost pressure in future years as part of any budget initiative.
MoF Decision	a. Agree to invite this initiative into Budget 2026 *Agree / disagree*

Oranga Tamariki - Oranga Tamariki volume pressures

Vote	Oranga Tamariki
Track	Cost Pressures - Core Services
Description	Reports of concern (ROCs) recorded by OT (the method by which people alert OT to suspected abuse) increased by 35% (24,494 additional ROCs) between the 2023 and 2024 calendar years, and by another 44% between June 2024 and June 2025. This is partly due to internal practice changes. However, there is also evidence of increasing volumes of children at risk of abuse reported to OT, resulting in pressures in assessment centres (receiving the ROCs); pressures on assessment times (assessing the ROCs); and pressures on services to children, as the volume of children in care increases.
Operating Average Per Annum ($m)	[33]
Total Capital ($m)	Click or tap here to enter text.
Rationale for invitation	Meets the definition of a critical cost pressure
Treasury advice	We recommend inviting this initiative as it is a non-discretionary cost pressure that Oranga Tamariki (OT) has limited control over. OT has a legislative obligation to assess all ROCs and is driving to improve its efficiency in doing so. Similarly, OT has few levers to manage the volume of children and young people entering its care. It could adjust the risk threshold at which OT intervenes; however, this could increase the risk to children and young people across NZ.
Conditions on Invitation	We recommend stipulating a condition that Hon Chhour identifies options for creating efficiencies in the Report of Concern assessment process as part of any budget initiative.
MoF Decision	a. Agree to invite this initiative into Budget 2026 *Agree / disagree*

Prime Minister and Cabinet - Cost pressure funding for departmental functions of DPMC

Vote	Prime Minister and Cabinet
Track	Cost Pressures - Core Services
Description	In Budget 25 Cabinet agreed funding for 2025/26 only for continuation of DPMC's central agency and national security, risk and resilience functions. Cabinet also noted that outyear funding requirements for sustaining these functions would be considered through Budget 26. As a result of this decision to provide a time-limited funding increase, DPMC faces a fiscal cliff beyond 2025/26 and will require additional funding in Budget 26 to avert core function delivery risk.
Operating Average Per Annum ($m)	16
Total Capital ($m)	0
Rationale for invitation	Meets the definition of a critical cost pressure
Treasury advice	We recommend inviting this initiative as it is a non-discretionary cost pressure that the agency has limited control over. In Budget 25 Cabinet agreed funding for 2025/26 only for continuation of DPMC's central agency and national security, risk and resilience functions, and noted that the outyear funding requirement for sustaining these functions would be considered through Budget 26. As a result, DPMC faces a fiscal cliff beyond 2025/26 and will require additional funding of up to $16 million per annum to avert core function delivery risk.
Conditions on Invitation	No specific conditions
MoF Decision	a. Agree to invite this initiative into Budget 2026 *Agree / disagree*

[33]

Social Development (with impacts across OT, Education, Health and Police) - Implementation of the Government's response to the Dame Karen Poutasi Report

Vote	Social Development (with impacts across OT, Education, Health and Police)
Track	New Spending Pressures including Manifesto Commitments
Description	Child and Youth Ministers have directed children's system agencies to implement all recommendations in the Dame Karen Poutasi Report. These include mandatory training for professionals working with children, mandatory reporting of abuse to Oranga Tamariki, and a public awareness campaign - among others. Prior to Ministerial direction, officials had proposed to accept most of the recommendations, and any financial implications to be managed within baselines.
Operating Average Per Annum ($m)	Unknown
Total Capital ($m)	Click or tap here to enter text.
Rationale for invitation	Undelivered / Partially delivered coalition commitment
Treasury advice	We recommend inviting this initiative, given Child and Youth Ministers have set agencies a clear direction to implement all recommendations. If not invited to B26, there is a risk that MSD will submit an out-of-cycle funding request as part of a Cabinet paper later this year.
Conditions on Invitation	We recommend stipulating a condition that MSD identifies mechanisms for implementing Dame Karen Poutasi's recommendations within baselines, in the first instance, as part of any budget initiative.
MoF Decision	a. Agree to invite this initiative into Budget 2026 *Agree / disagree*

Tari Whakatau - Delivery of Treaty settlements cost pressures

Vote	Tari Whakatau
Track	Cost Pressures - Core Services
Description	One of Te Tari Whakatau's core services is delivery of Treaty settlements. In recent years, the agency has had significant non-departmental cost pressures related to providing claimant groups with the necessary levels of redress to reach settlements.
Operating Average Per Annum ($m)	TBC
Total Capital ($m)	Click or tap here to enter text.
Rationale for invitation	Meets the definition of a critical cost pressure
Treasury advice	We recommend inviting this initiative as it is a non-discretionary cost pressure that the agency has limited control over. Treaty settlement cost pressures are often being funded through out-of-cycle sources, with $8.270 million of settlement costs charged against the between-Budget contingency so far in 2025/26. Similar to Budget 25, we recommend Te Tari Whakatau is invited into Budget 26 to consider what settlements may require additional funding in 2026/27. The invitation could specify a conservative amount to incentivise Te Tari Whakatau to continue to balance fiscal and other settlement objectives. The Treaty settlement acceleration programme being considered could be invited through this, subject to further discussions.
Conditions on Invitation	Information must be provided on how costings have been reached (what quantum is expected and why) and what other key barriers exist in those settlements.
MoF Decision	a. Agree to invite this initiative into Budget 2026 *Agree / disagree*

Tari Whakatau - Takutai Moana Financial Assistance Scheme - claimant funding

Vote	Tari Whakatau
Track	Cost Pressures - Core Services
Description	One of Te Tari Whakatau's core services is facilitating the delivery of Takutai Moana judgements through providing finance assistance to claimants. The annual funding demands are based on the volume of Takutai Moana hearings scheduled by the High Court.
Operating Average Per Annum ($m)	1 - 15
Total Capital ($m)	Click or tap here to enter text.
Rationale for invitation	Meets the definition of a critical cost pressure
Treasury advice	We recommend inviting this initiative as it is a non-discretionary cost pressure that the agency has limited control over. The Takutai Moana Financial Assistance Scheme faces significant cost pressures from 2026/27 onwards under the existing scheme settings. The Minister of Finance and Minister for Treaty of Waitangi Negotiations will receive an update on the fiscal forecast [33]
Conditions on Invitation	[33]
MoF Decision	a. Agree to invite this initiative into Budget 2026 *Agree / disagree*

Tertiary Education - Cost adjustment to tertiary tuition subsidies

Vote	Tertiary Education
Track	Cost Pressures - Core Services
Description	Annual cost adjustment for tertiary education subsidies for providers to meet inflationary and other cost pressures.
Operating Average Per Annum ($m)	Approximately 60
Total Capital ($m)	Click or tap here to enter text.
Rationale for invitation	Meets the definition of a critical cost pressure
Treasury advice	We recommend inviting this cost pressure as it is a non-discretionary cost pressure that the agency has limited control over. This initiative should present options for the mix of public and private funding used to increase revenue to tertiary providers (e.g. subsidies and fees), and surface trade-offs for the different options. We note increasing tertiary fees still has a cost to the Crown due to flow on impacts to student loan borrowing and Fees Free, which will need to be factored into any Budget decisions.
Conditions on Invitation	Please ensure that this initiative sets out multiple options for managing this cost pressure, including increases to the annual maximum fee movement (AMFM) and Crown subsidies.
MoF Decision	a. Agree to invite this initiative into Budget 2026 *Agree / disagree*

Tertiary Education - Funding forecast volume for Tertiary Education and Training

Vote	Tertiary Education
Track	Cost Pressures - Core Services
Description	Demand for tertiary education and training is currently expected to exceed the volume able to be funded by current baselines from 2026, based on the Ministry of Education's preliminary demand forecasts at BEFU 2025.
Operating Average Per Annum ($m)	35 - 137
Total Capital ($m)	-
Rationale for invitation	Meets the definition of a critical cost pressure
Treasury advice	We recommend inviting this cost pressure as it is a non-discretionary cost pressure that the agency has limited control over. Not funding this cost pressure would leave a funding gap currently equating to approx. 15,000 full-time and part-time learners. Ministers will be provided with advice by MoE on options for volume pressure funding and options to reduce this cost pressure in October. [33]
Conditions on Invitation	Budget 2025 invited Ministers to review the current approach to funding enrolments, including the use of the TEC balance sheet mechanism. This review should inform Budget 2026 submissions and set out a range of options for Ministers to consider, including options to manage this cost pressure within the current funding envelope. The review should be shared with the Minister of Finance's office for discussion ahead of Budget 2026 initiative submissions.
MoF Decision	a. Agree to invite this initiative into Budget 2026 *Agree / disagree*

[33]

[33]

Annex C: Initiatives Not Recommended for Invitation into Budget 2026

This annex provides you with visibility of initiatives we have not recommended inviting, where there are indications that an initiative is a Ministerial priority but is not covered in the coalition and National Party policy programme.

We have provided you with the rationale for excluding these initiatives and any other Treasury advice where applicable. Please indicate if you agree with the Treasury recommendation to not invite the initiative; if you would like to invite the initiative into Budget 2026; or if you would like further advice on the initiative.

[33]

[33]

Business, Science, and Innovation - Science, Innovation and Technology reforms - Future of Gracefield Innovation Quarter (GIQ)

Vote	Business, Science, and Innovation
Track	Cost Pressures - Core Services
Description	The Prime Minister announced the full suite of SIT reforms in January 2025, including the disestablishment of Callaghan Innovation. The reforms are estimated to require reprioritisation of $400 million annually over the forecast period [33]
Operating Average Per Annum ($m)	TBD
Total Capital ($m)	[33]
Rationale for Exclusion	Does not meet the definition of a critical cost pressure
Treasury advice	Although Ministers have agreed to fund the SIT reforms from baselines, reprioritising funding for GIQ in addition to implementing the announced reforms could materially reduce public research expenditure. We recommend decisions on GIQ's future are deferred to Budget 2027 following a detailed business case (DBC) to assess possible options. The Minister of SIT may seek an expedited decision without a DBC through Budget 2026.
MoF Decision	a. Indicate if you would like to invite this initiative into Budget 2026 *Invite / Do not invite (**Treasury recommended)** / Further advice*

Education - Early Childhood Education - KiwiSaver Cost Pressure

Vote	Education
Track	Cost Pressures - Core Services
Description	The increase to the default KiwiSaver contribution is leading to a cost pressure in the ECE sector.
Operating Average Per Annum ($m)	14.5
Total Capital ($m)	Click or tap here to enter text.
Rationale for Exclusion	Does not meet the definition of a critical cost pressure
Treasury advice	We do not recommend inviting this initiative as, other than kindergarten teachers (which we have accounted for in Hon Stanford's Education envelope) the Government does not have a direct obligation to pay these increased KiwiSaver costs in the ECE sector. As noted in the initiative "Cost adjustment for early childhood education subsidies" which we recommend be invited, increased KiwiSaver contributions will put cumulatively pressure on ECE provider. This is why we recommend the Associate Minister of Education be invited to submit a fiscally neutral ECE package this Budget to enable existing baseline funding to be re-distributed to address any critical service delivery risks.
MoF Decision	a. Indicate if you would like to invite this initiative into Budget 2026 *Invite / Do not invite (**Treasury recommended)** / Further advice*

Education - Kohanga Reo - Various Cost Pressures

Vote	Education
Track	Cost Pressures - Core Services
Description	The Associate Minister of Education has indicated several cost pressures on Kōhanga Reo services, including inflationary pressures on property maintenance, volume pressures, and pay parity between the Kaimahi Pay Scheme and pay steps for teachers in kura.
Operating Average Per Annum ($m)	7.5
Total Capital ($m)	Click or tap here to enter text.
Rationale for Exclusion	Does not meet the definition of a critical cost pressure
Treasury advice	We do not recommend inviting this cost pressure individually. Instead, we recommend that early childhood education initiatives (ECE), such as Kohanga Reo cost pressures, are invited into the Budget 2026 process but on the basis that any new spend and/or cost pressure funding is funded through reprioritisation of existing ECE funding, though we note that in Budget 2025, Kohanga Reo funding was significantly scaled.
MoF Decision	a. Indicate if you would like to invite this initiative into Budget 2026 *Invite / Do not invite (**Treasury recommended)** / Further advice*

Education - Growing the Charter School Model

Vote	Education
Track	Other Ministerial Priorities
Description	The Associate Minister of Education may seek funding to support the growth of the charter schools model. Funding may be sought to cover establishment costs for new schools opening from 2027, and to upgrade information systems such as the Charter School Agency website and the funding calculation system to support such growth.
Operating Average Per Annum ($m)	5
Total Capital ($m)	Click or tap here to enter text.
Rationale for Exclusion	Does not meet the definition of a critical cost pressure
Treasury advice	This initiative has been indicated as a Ministerial priority for the Associate Minister of Education. Without additional funding in Budget 2026, the Associate Minister of Education would not be able to increase the charter school model beyond what was funded for in Budget 2024. However, we do not consider it is critical to fund this initiative in Budget 2026.
MoF Decision	a. Indicate if you would like to invite this initiative into Budget 2026 *Invite / Do not invite (**Treasury recommended)** / Further advice*

Environment - National Adaptation Framework: National Flood Map

Vote	Environment
Track	New Spending Pressures including Manifesto Commitments
Description	At a recent meeting regarding next steps for the development of a national adaptation framework (with Ministers Watts and Bishop), MoF asked for priority on making relevant climate hazard data available, with options for an implementation plan as soon as possible. In response, MfE is drafting a Cab paper proposing to develop a National Flood Map implementation plan for report-back to Cabinet by Q1 2026, with the flood map intended to be in place by 2027 (to support the implementation of spatial plans). MfE will lead the work on the funding model, which could require Crown funding (depending on the overall cost and feasibility of reprioritisation options and private sector contributions).
Operating Average Per Annum ($m)	TBC
Total Capital ($m)	TBC
Rationale for Exclusion	Does not meet the definition of a critical cost pressure
Treasury advice	MFE is developing options for a private-public funding model and new funding may be required. If you see this as a high priority, you could invite the initiative as a placeholder while the funding model is developed, however at this stage the initiative does not appear to meet the criteria for invitation.
MoF Decision	a. Indicate if you would like to invite this initiative into Budget 2026 *Invite / Do not invite (**Treasury recommended)** / Further advice*

Foreign Affairs - Foreign Policy Reset - South East Asia

Vote	Foreign Affairs
Track	Other Ministerial Priorities
Description	Cabinet has noted [FPS-25-MIN-0020] that the Minister of Foreign Affairs intents to discuss with the Minister of Finance, and potential Budget 2026 invitation to address the funding reduction in the IDC (aid) appropriation, to fund priority activities in the Southeast Asia region. MFAT have signalled that up to $72.3 million p.a would be sought.
Operating Average Per Annum ($m)	72.3
Total Capital ($m)	Click or tap here to enter text.
Rationale for Exclusion	Does not meet the definition of a critical cost pressure
Treasury advice	You agreed to not provide an envelope for Foreign Affairs [T2025/1902 refers] and we have assessed specific initiatives in Foreign Affairs against the criteria set out for invitations. Following our assessment, we do not recommend inviting any initiatives in Vote Foreign Affairs into Budget 2026.
MoF Decision	a. Indicate if you would like to invite this initiative into Budget 2026 *Invite / Do not invite (**Treasury recommended)** / Further advice*

Foreign Affairs - Hosting of the 2027 Pacific Island Forum

Vote	Foreign Affairs
Track	Other Ministerial Priorities
Description	The Minister of Foreign Affairs has indicated to Pacific Island Forum members that New Zealand would like to host the 2027 Forum without seeking Cabinet's prior approval. While the bid is yet to be formally made by the Prime Minister (this is expected to happen at 2025 Forum meeting in September), we understand the Prime Minister intends to do so and that it is very likely New Zealand's bid will be accepted. Hosting the 2027 Pacific Island Forum will have corresponding cross-government cost implications, however the work has not been done to determine these yet. The figure provided is an estimate and we understand MFAT intents to engage with potentially impacted agencies (Police, DIA) on cost implications after the offer to host is formally accepted.
Operating Average Per Annum ($m)	15-30 (one off)
Total Capital ($m)	Unknown
Rationale for Exclusion	Alternative funding sources are available
Treasury advice	We consider there to be optionality within MFAT baselines for reprioritisation. Trade-offs will be required although we expect these will be managable given the quantum (for example funidng could come from the IDC) and this will also incentivise MFAT to place reasonable limits on ambition.
MoF Decision	a. Indicate if you would like to invite this initiative into Budget 2026 *Invite / Do not invite (**Treasury recommended)** / Further advice*

Labour Market - Community Organisation Refugee Sponsorship

Vote	Labour Market
Track	New Spending Pressures including Manifesto Commitments
Description	The Community Organisation Refugee Sponsorship programme enables up to [50] individuals per year (refugees and their partner and dependent children) to be sponsored by approved community organisations.
Operating Average Per Annum ($m)	1.76
Total Capital ($m)	Click or tap here to enter text.
Rationale for Exclusion	Does not relate to a coalition commitment
Treasury advice	This initiative has been indicated as a Ministerial priority for Minister Costello as the Associate Minister of Immigration. She has directed MBIE to begin the initial policy work required to extend the pilot (subject to Budget funding), which we understand includes engaging with relevant agencies. While the pilot shows promise, we do not consider it is critical to fund this initiative in Budget 2026.
MoF Decision	a. Indicate if you would like to invite this initiative into Budget 2026 *Invite / Do not invite (**Treasury recommended)** / Further advice*

Māori Development - Te Māori: The Return – Māori-led International Cultural Diplomacy Platform

Vote	Māori Development
Track	New Spending Pressures including Manifesto Commitments
Description	Minister Potaka has commissioned an Indicative Business Case for 'Te Māori: The Return,' a renewed international cultural diplomacy platform building on the legacy of the 1984–87 Te Māori exhibition. Description is "the initiative will deliver a high-impact, multi-city touring exhibition with an integrated digital platform and diplomatic programme. It aims to elevate Māori cultural visibility globally, strengthen New Zealand's cultural diplomacy, and open pathways for Māori economic, trade, and tourism growth."
Operating Average Per Annum ($m)	4
Total Capital ($m)	Click or tap here to enter text.
Rationale for Exclusion	Does not relate to a coalition commitment
Treasury advice	This initiative has been indicated as a Ministerial priority for the Minister of Māori Development and would potentially align with economic growth objectives of the Government. However, it does not meet the threshold of a coalition commitment and so we do not consider it is critical to fund this initiative in Budget 2026.
MoF Decision	a. Indicate if you would like to invite this initiative into Budget 2026 *Invite / Do not invite (**Treasury recommended)** / Further advice*

Office of the Clerk / Parliamentary Service – Cost Pressures

Vote	Office of the Clerk, Parliamentary Service
Track	Cost Pressures - Core Services
Description	[33]
Operating Average Per Annum ($m)	
Total Capital ($m)	0
Rationale for Exclusion	Click or tap here to enter text.
Treasury advice	New legislation will shortly be enacted which will make both Office of the Clerk and Parliamentary Service "Parliamentary Agencies". Funding for both agencies (except capital investments) will now go through a separate parliamentary process and will no longer be subject to the Executive Budget process.
MoF Decision	a. Note that if the Bill does not progress in time, you may need to invite these initiatives into Budget 2026. *Noted*

[33]

Oranga Tamariki - Enabling Communities

Vote	Oranga Tamariki
Track	Time-limited Funding
Description	Enabling Communities was funded at Budget 2022 to pilot approaches to devolution with community and iwi providers. Examples include the delivery of an Oranga Tamariki call centre - fielding "reports of concern" - by NASH in Whakatāne. Funding is due to expire after 2025/26.
Operating Average Per Annum ($m)	[33]
Total Capital ($m)	Click or tap here to enter text.
Rationale for Exclusion	[33]
Treasury advice	
MoF Decision	

Oranga Tamariki - Expiry of time-limited funding for social service contracts@

Vote	Oranga Tamariki
Track	Time-limited Funding
Description	In April 2025, Cabinet allocated $23.7 million operating in time-limited funding to Oranga Tamariki for the extension of contracts with social service providers to 31 December 2025. OT was meanwhile directed to review its commissioning approach in collaboration with the Social Investment Agency. This review is ongoing; as a result, if Ministers wish to extend contracts again, OT will have to identify reprioritisation or will need new funding.
Operating Average Per Annum ($m)	23.655
Total Capital ($m)	0
Rationale for Exclusion	Does not meet the definition of a critical cost pressure
Treasury advice	We expect OT to manage this pressure within baselines. We understand OT is shortly to put advice to Joint Ministers outlining its approach for doing so, which you may receive ahead of this annex.
MoF Decision	a. Indicate if you would like to invite this initiative into Budget 2026 *Invite / Do not invite (**Treasury recommended)** / Further advice*

Oranga Tamariki - Oranga Tamariki inflationary pressures (providers)

Vote	Oranga Tamariki
Track	Cost Pressures - Core Services
Description	[33]
Operating Average Per Annum ($m)	
Total Capital ($m)	Click or tap here to enter text.
Rationale for Exclusion	Does not meet the definition of a critical cost pressure
Treasury advice	[33]
MoF Decision	a. Indicate if you would like to invite this initiative into Budget 2026 *Invite / Do not invite (**Treasury recommended)** / Further advice*

Oranga Tamariki - VOYCE - Whakaronga Mai (Voices of Young and Care Experienced)

Vote	Oranga Tamariki
Track	Time-limited Funding
Description	VOYCE - Whakaronga Mai is a government-funded advocacy group for children and young people who are or have been in care. It received time-limited funding at B22 that expired after 2024/25. In 2025/26, its funding reduced by $2.378 million - or 37%.
Operating Average Per Annum ($m)	2.378
Total Capital ($m)	Click or tap here to enter text.
Rationale for Exclusion	Does not meet the definition of a critical cost pressure
Treasury advice	We do not consider this pressure sufficiently critical to warrant an invitation.
MoF Decision	a. Indicate if you would like to invite this initiative into Budget 2026 *Invite / Do not invite (**Treasury recommended)** / Further advice*

Social Development - Community Food Support

@Vote	Social Development
Track	Time-limited Funding
Description	The Government extended the 'Food Secure Communities' programme at Budget 2025 for a further year (2025/26), costing $15 million operating. The programme would come to an end if no further funding is agreed. It provides food via food banks and community distributors, appears to be good value-for-money, and is closely aligned to one of the Child and Youth Strategy priorities.
Operating Average Per Annum ($m)	15
Total Capital ($m)	Click or tap here to enter text.
Rationale for Exclusion	Does not meet the definition of a critical cost pressure
Treasury advice	MSD has indicated that this pressure could be addressed through its 2026/27 performance plan, and managed through reprioritisation where appropriate. In addition, while there are options to provide scaled funding, it would be preferable to first confirm the government's ongoing role in this area, rather than continue to extend short-term funding arrangements.
MoF Decision	a. Indicate if you would like to invite this initiative into Budget 2026 *Invite / Do not invite (**Treasury recommended)** / Further advice*

Social Development - KidsCan and KickStart

Vote	Social Development
Track	Time-limited Funding
Description	The Government extended funding for KickStart Breakfasts and KidsCan Budget 2025 (which provides rain jackets, among other items, to children who would otherwise go without). The funding (~$2 million) is frontloaded to 2025/26. It appears to be good value-for-money (especially because it 'crowds-in' private funding) and it closely aligns to one of the Child and Youth Strategy priorities.
Operating Average Per Annum ($m)	2
Total Capital ($m)	Click or tap here to enter text.
Rationale for Exclusion	Does not meet the definition of a critical cost pressure
Treasury advice	MSD intends to provide advice to its Minister on the merits and options in this area, although the timing and scope of that advice are not yet clear. Regardless, MSD has indicated that its cost pressures can be managed in 2026/27 through its performance plan and reprioritisation.
MoF Decision	a. Indicate if you would like to invite this initiative into Budget 2026 *Invite / Do not invite (**Treasury recommended)** / Further advice*

[33]

Tertiary Education - Ongoing support for strategic provision across VET system

Vote	Tertiary Education
Track	New Spending Pressures including Manifesto Commitments
Description	Some strategically important provision in the VET system is unprofitable and will likely be discontinued without dedicated government funding.
Operating Average Per Annum ($m)	20-50
Total Capital ($m)	-
Rationale for Exclusion	Can be deferred to a future Budget
Treasury advice	We consider this initiative can be deferred to Budget 27, noting MoE considers Budget 26 too early to seek this funding. However, we note that final Cabinet decisions on the future of the Vocational Education and Training system will be made in mid-2026 and will have ongoing funding impacts which we recommend should be managed at the time of decision, [33] . Without further funding there is a risk of partial critical service failure, where providers may discontinue unprofitable but strategically important delivery, reducing access in rural areas and worsening labour shortages.
MoF Decision	a. Indicate if you would like to invite this initiative into Budget 2026 *Invite / Do not invite (**Treasury recommended**) / Further advice*

Tertiary Education - Performance-Based Research Fund

@Vote	Tertiary Education
Track	Other Ministerial Priorities
Description	Funding for research and research-based training.
Operating Average Per Annum ($m)	3.75-7.5
Total Capital ($m)	-
Rationale for Exclusion	Does not meet the definition of a critical cost pressure
Treasury advice	Cabinet has agreed to replace the Performance-Based Research Fund (PBRF) with a new Tertiary Research Excellence Fund. While funding for the PBRF has not been increased since 2017 and has fallen 25 percent in real terms over this time, the Fund does not represent a critical service and we therefore consider it is not critical to fund this initiative in Budget 2026. We recommend implementing the new Fund and assessing efficiency gains prior to potentially considering a budget bid in future.
MoF Decision	a. Indicate if you would like to invite this initiative into Budget 2026 *Invite / Do not invite (**Treasury recommended)** / Further advice*

Tertiary Education - Centres of Research Excellence

Vote	Tertiary Education
Track	Other Ministerial Priorities
Description	[33]
Operating Average Per Annum ($m)	1.25-3.75
Total Capital ($m)	Click or tap here to enter text.
Rationale for Exclusion	Does not meet the definition of a critical cost pressure
Treasury advice	This additional initiative was flagged by MoE as a priority for Minister Reti. However, it does not meet the threshold of a critical cost pressure and we therefore do not consider it is critical to fund this initiative in Budget 2026.
MoF Decision	a. Indicate if you would like to invite this initiative into Budget 2026 *Invite / Do not invite (**Treasury recommended)** / Further advice*

Tertiary Education - Industry Skills Boards

Vote	Tertiary Education
Track	New Spending Pressures including Manifesto Commitments
Description	Minister Simmonds has expressed an interest in providing one-off support for Industry Skills Boards (ISBs) to work on improving participation and quality in apprenticeships and other forms of work-based training. Based on current baselines and without additional funding, ongoing Crown funding for the eight ISBs that will be stood up from 1 January 2026 will be $30m p.a., with the potential for this to be supported by provider fees and industry levies. This is substantially lower than the $65m p.a. funding Workforce Development Councils (which ISBs are replacing) received previously.
Operating Average Per Annum ($m)	2-2.5
Total Capital ($m)	Click or tap here to enter text.
Rationale for Exclusion	Does not meet the definition of a critical cost pressure
Treasury advice	This additional initiative was flagged by MoE as a priority for Minister Simmonds. We note that, while it relates to Government's commitment to disestablish Te Pukenga and reestablish a regionally responsive Vocational Education and Training system, we do not consider that this additional funding is critical to achieve this commitment or to ensure service delivery. We therefore do not consider it is critical to fund this initiative in Budget 2026.
MoF Decision	a. Indicate if you would like to invite this initiative into Budget 2026 *Invite / Do not invite (**Treasury recommended)** / Further advice*

Tertiary Education - Support for apprenticeships

Vote	Tertiary Education
Track	Other Ministerial Priorities
Description	Minister Simmonds has expressed an interest in repurposing the $26.528 million per annum currently appropriated for the Apprenticeship Boost Initiative (ABI) in Vote Social Development for an alternative targeted and accountable model for supporting employers taking on apprentices.
Operating Average Per Annum ($m)	0
Total Capital ($m)	Click or tap here to enter text.
Rationale for Exclusion	Alternative funding sources are available
Treasury advice	Minister Simmonds is interested in amending policy settings for Apprenticeship Boost and may seek additional funding as part of this. Funding for and targeting of the current Apprenticeship Boost programme was agreed in Budget 2024 and we do not consider it is critical to provide additional funding for this initiative in Budget 2026.
MoF Decision	a. Indicate if you would like to invite this initiative into Budget 2026 *Invite / Do not invite (**Treasury recommended)** / Further advice*

Annex D: Treasury Advice and Recommendations on Parameters for Baseline Reductions

To implement a baseline reduction through your Budget invitation letters, this Annex seeks your direction on a number of parameters laid out in turn below:

<table>
<tr><th colspan="2">Parameter 1: Eligible spending base</th></tr>
<tr><td>Treasury advice</td><td>Baseline reductions are typically applied to an agency’s 'eligible base'. This aims to strip out significant genuinely non-discretionary spending (e.g. finance costs) and provide a consistent basis for allocating out targets (e.g. by stripping out BOREs). The eligible base is typically significantly smaller than an agency’s actual baseline.

As previously advised, we have taken a series of steps to exclude the following spending from a baseline reduction:
• Benefits or Related Expenses
• Borrowing Expenses
• Permanent Legislative Authorities
• Capital
• Revenue-Dependent and cost-recovered appropriations
• Other Expenses (with some exceptions)
• Envelope agencies, Parliamentary agencies, and other areas where savings are deemed best progressed through targeted policy savings or medium-term work for Budget 2026,[1] unlikely to be possible or you have indicated you wish to invite for additional funding.[2]

This leaves a ‘net discretionary’ eligible base of just over $10 billion per annum.[3]
There are two outstanding issues.</td></tr>
<tr><td>Treasury recommendation (a)</td><td>Issue 1: Departmental depreciation funding

In principle we have looked to remove depreciation funding. However, there are some agencies with significant departmental depreciation that cannot be disentangled from appropriation data. As part of the baseline reduction process, we will advise you on minor changes to targets for affected agencies (likely only DIA, DoC and MFAT (if included)).

Note that there will be minor changes to some agency targets following consultation on departmental depreciation.</td></tr>
<tr><td>Treasury recommendation (b)</td><td>Issue 2: additional exclusions

You may wish to exclude specific agencies/areas of spending from the net eligible base, on the basis that they have received recent funding uplifts and/or are likely to receive funding uplifts at Budget 2026, despite not being in an envelope. Note we have not included agencies where you are considering an invitation for one-off cost pressure funding (eg, NZ Customs Service).

The below table outlines the exclusions:</td></tr>
</table>

[1] For example, Public and Transitional Housing.
[2] For example, Oranga Tamariki Care and Protection, Disability Support Services, Immigration, NZSIS, GCSB.
[3] Subject to confirmation following final quality assurance.

Agency / portfolio	Rationale / advice	Decision
Ministry of Social Development ($1,880m p.a.)	Welfare reform [33] Excluding MSD may ensure they can focus on higher policy-driven savings. Operational savings have also been booked through Budget 2025 initiatives. A baseline reduction could create risks to these savings.[4]	Include / Exclude
Ministry of Foreign Affairs and Trade ($1,519.9m p.a.)	Recent funding uplift related to Government priorities. You could make partial exclusions.	Include in full **[Treasury recommended] /** Include only operational funding ($571.0m p.a.) / Include only international aid ($948.8m p.a.) / Exclude in full
Science, Innovation and Technology (Around $1,025.8m p.a.)	Cabinet has agreed for SI&T reforms (including establishing Invest NZ) to be funded through reprioritising existing funding, which is expected to require around $380m p.a.	Include in full / Exclude sufficient funding for reprioritisation ($380m p.a.) / Exclude in full
Whānau Ora ($134.5m p.a.)	Relates to funding that has been contractually committed for 6 years.	Include / Exclude
Social Investment Agency[5] ($40.7m p.a.)	Recent funding uplift related to Government priorities.	Include **[Treasury recommended]** / Exclude
Department of Prime Minister and Cabinet ($36.9m p.a.)	A significant portion of DPMC's baseline is time-limited, and we are recommending an invitation to resolve this.	Include / Exclude **[Treasury recommended]**
Parliamentary Counsel Office ($25.6m p.a.)	Cabinet has recently agreed additional out-of-cycle funding for PCO, given pressures on the legislative programme.	Include / Exclude **[Treasury recommended]**

[4] Two initiatives relate to this: *Services for the Future* and *Employment Services – Investing in Frontline Staff and Employment Programmes*.
[5] This will need to be confirmed with Minister Bishop, in his capacity as AMoF for your portfolios.

Parameter 2: Level of reduction	
Treasury advice	There are three decisions on the level of reduction: the rate, whether it is multiyear or not, and whether there is flexibility on the phasing of targets. A higher, multi-year baseline reduction rate will generate more savings and therefore give you more flexibility. However, a higher rate will require more difficult trade-offs to be made without complete information across agencies of relative impacts. On balance, we recommend a multi-year programme, achieving a total reduction of 10% (by the end of the forecast period), implemented over the next three Budgets. Implementing the baseline reduction over the next three years gives agencies forward certainty to implement meaningful changes. A target of this size could generate savings of around $1 billion p.a. by the end of the forecast period. This figure reduces to around $600 million p.a. if you make the exclusions listed above. We recommend phasing the savings evenly over years (looking to achieve between 3 and 3.5% each Budget). To generate sufficient options to achieve that rate, we also recommend setting a slightly higher target for agencies in this first year of 4%. Any overachievement this year could then credit against future targets. If you do not want to set a multi-year baseline reduction, you could instead just set a rate for this year (in which case we think that 4% remains a reasonable target to generate sufficient options for Ministers to consider). You could choose to set specific baseline reduction targets in the Budget strategy cabinet paper (if you want broader Cabinet buy-in for those targets). Alternatively, you could seek Cabinet agreement to the broad parameters, with specific targets set in your Budget invitation letters.
Treasury recommendation (a)	**Indicate** if you would like to proceed with a multi-year or single year baseline reduction **Multi-year programme (Treasury recommended) / single year programme**
Treasury recommendation (b)	**Indicate** the rate, for a baseline reduction, you wish to proceed with: If you agree to a **multi-year programme**, progressed over three years **10% total (Treasury recommended) / ________ (enter rate)** Or, if you agree to a **single year programme** through Budget 2026 only **4% (Treasury recommended) / ________ (enter rate)**
Treasury recommendation (c)	**Indicate if you want to:** Set specific baseline reduction targets in the Budget strategy Cabinet paper **OR** Seek Cabinet's agreement to the broad parameters to be invited in Budget invitation letters

Parameter 3: Guardrails	
Treasury advice	You may wish to specify that savings should made from specific areas. This would give more certainty and specifics up-front but could also reduce Ministers' (and your) flexibility and range of options. However, we do think that setting some broad guidelines of what you want Ministers to *prioritise* is helpful. Based on our engagement with agencies alongside PSC, we consider the following realistic areas for agencies to make savings from: • Structural changes through consolidating Crown entities or back-office functions (less likely in Budget 2026 given timeframes, but a multi-year programme would support this in the medium term); • Scaling or closing low-value programmes and policy areas; • Departmental efficiencies (e.g., realising benefits from digitisation or automation, reduced contractor/consultant spending); • Invest-to-save initiatives (where these are realistic, can be booked, and result in overall savings over the forecast period and that are ongoing); and • Revenue generation through new opportunities (e.g., Department of Conservation's access charging), and/or changing levels of fees/levies. We also understand that you wish to set a guardrail that Ministers should avoid savings from cutting third-party contracted social services, and for agencies to prioritise back-office workforce savings. These can similarly be incorporated. We recommend you communicate these areas (through your invitation letters) as thematic areas from which agencies should prioritise for savings. This aligns with wider government goals for the public service but will leave final discretion to Ministers and agencies to choose if they wish to propose savings from elsewhere. As savings initiatives for baseline reductions are submitted, we can provide you with supporting information to give assurance on the implications and enable further scrutiny where required. This could include summaries of the fiscal and workforce impacts, with the ability to request additional detail directly from agencies if you have concerns or require clarification.
Treasury recommendation	**Agree** to communicate to Ministers the areas from which you consider they should prioritise for savings for baseline reductions *Agree / Disagree* **Provide feedback** on the areas above and indicate any further guardrails and **indicate** any further you would like to communicate

Parameter 4: Process interactions	
Treasury advice	The baseline reduction is one element of the wider Budget 2026 savings strategy and represents an important part but only a portion of overall savings being sought. We recommend setting clear boundaries between different savings streams. Specifically, we recommend that in principle any areas of expenditure that have been identified for targeted policy savings should be in addition to options identified for baseline reductions and vice versa. This would generate the maximum available options, but preserve some flexibility throughout the process to make a different call if necessary. Given the reasonably concentrated number of policy savings, this should be manageable between Treasury and agencies.
Treasury recommendation	**Agree** that targeted policy savings should be in addition to agency baseline savings targets **Agree [Treasury recommended] / Disagree**

Indicative baseline reduction targets and ways to achieve these

Department *(note all figures $m p.a.)*	**Eligible base**	**10% target**	**4% savings**	**Comments for how baseline reductions could be achieved**
Ministry of Social Development	1,880.0	188.0	75.2	Departmental savings, scale programmes (eg, family violence programmes)
Ministry of Business, Innovation and Employment	1,708.4	170.8	68.3	Departmental savings (particularly in Crown Entities like NZTE and WorkSafe), scale funds and programmes (eg, in Science, Innovation and Technology), cost recovery and levy/fee changes (eg, Commerce Commission)
Ministry of Foreign Affairs and Trade	1,519.9	152.0	60.8	Departmental savings (considered very viable), reduce international aid funding (there is a persistent underspend)
Inland Revenue Department	788.5	78.9	31.5	Departmental savings, invest-to-save initiatives
Ministry for Primary Industries	657.9	65.8	26.3	Departmental savings, increase cost recovery and/or levy/fees for industry-facing/relevant programmes, scale funds (eg, Primary Sector Growth Fund)
Department of Conservation	569.6	57.0	22.8	Departmental savings, cost recovery/access charging, scaling funds
Ministry of Education (Tertiary Education only)	486.5	48.7	19.5	Departmental savings, scale funds and programme (eg, tertiary education/research funds)
Te Puni Kōkiri	473.7	47.4	18.9	Departmental savings, including in statutory/Crown entities
Ministry for Culture and Heritage	453.7	45.4	18.1	Scale funds/programmes, particularly relating to Crown Entities (eg, NZ on Air, RNZ, Sports NZ)
Department of Internal Affairs	406.9	40.7	16.3	Departmental savings, cost recovery, scale programmes (eg, national library services to schools, FENZ Public Good levy)
Statistics New Zealand	216.1	21.6	8.6	Departmental savings, cost recovery
Ministry of Transport	210.7	21.1	8.4	Departmental savings (including NZTA)
Ministry for the Environment	192.5	19.2	7.7	Departmental savings, scale funds/programmes
The Treasury	113.0	11.3	4.5	Departmental savings
Land Information New Zealand	105.7	10.6	4.2	Departmental savings, cost recovery
Ministry of Housing and Urban Development	80.7	8.1	3.2	Departmental savings
New Zealand Customs Service	80.5	8.1	3.2	Departmental savings, cost recovery

Social Investment Agency	40.7	4.1	1.6	Departmental savings
Ministry for Pacific Peoples	39.4	3.9	1.6	Departmental savings; you may wish to commission more fundamental consideration of MPP’s functions
Ministry of Justice *(Te Tari Whakatau only)*	38.1	3.8	1.5	Departmental savings
Department of the Prime Minister and Cabinet	36.9	3.7	1.5	Departmental savings
Public Service Commission	27.4	2.7	1.1	Departmental savings
Parliamentary Counsel Office	25.6	2.6	1.0	Departmental savings
Ministry for Regulation	21.4	2.1	0.9	Departmental savings
Executive Board for the Elimination of Family Violence and Sexual Violence	20.1	2.0	0.8	Departmental savings
Ministry of Disabled People	18.7	1.9	0.7	Departmental savings
Ministry for Women	12.2	1.2	0.5	Departmental savings

Annex E: Update on work to address medium-term expenditure pressures and options for Budget 2026 implementation

The decision annexes below update you on work to address medium-term expenditure pressures since June and responds to your request for advice on implementation for Budget 2026.

For each policy area we have either recommended you:

- **Consider for Budget 2026** – bringing it onto a similar timeframe and approach as welfare reform. If you agree, the next step is for us to speak to the relevant agency and work with your office to organise meetings with the relevant Minister(s).
- **Not suitable for Budget 2026** – and continue our focus on developing changes to support you at future Budgets.

Welfare Reform

Description & update	MSD and Treasury are developing welfare reform options for Budget 2026 and beyond, which include savings and invest to save options. You and Minister Upston met on 8 September and indicated which broad options you would like officials to develop further for consideration through Budget 2026. This included a collective target of [33] across welfare, Working for Families and social housing – [33] savings of this scale in welfare alone would be challenging.
Are policy levers in place for Budget 2026 implementation?	[33]
Treasury advice	Suitable for Budget 2026 – Already in progress. We are supporting your office to organise meetings with the Minister of Housing and Minister of Revenue to discuss welfare reform
MoF Decision	*N/A*

Social housing

Description & update	The Ministers of Housing and for Social Development & Employment are leading a social housing review. Advice from MSD and HUD is due to Ministers in September. While the review's focus is on wider reform to implement over the next 3-5 years, this advice will include changes that could be announced at Budget 2026 and implemented over a shorter timeframe. At your recent meeting with Minister Upston, you and she noted there were options that could deliver Budget 2026 savings, but that there are trade-offs in achieving the review's goals. You agreed to meet with Minister Bishop to discuss this further
Are policy levers in place for Budget 2026 implementation?	[33]

Treasury advice	Suitable for Budget 2026 – Already in progress alongside welfare reform (see above)
MoF Decision	*N/A*

[33]

[33]

[33]

Digitising Government

Description & update	The Minister for Digitising Government is leading work to centralise ICT investment and procurement. The GCDO, supported by the Central Agencies, will report back to Cabinet in December with an implementation plan.
Are policy levers in place for Budget 2026 implementation?	**No**. [33]
Treasury advice	Do not consider for Budget 2026
MoF Decision	Indicate if you would like to progress this for Budget 2026 *Progress / Do not progress* ***(Treasury recommended)***

Annex F: Targeted policy savings invitations

This annex provides you targeted policy savings initiatives we recommend you invite.

We have provided descriptions and advice on individual initiatives, including the possible quantum of the initiative where it is known. It also contains possible conditions on invitations for initiatives where relevant. We will provide you with further advice on conditions as you finalise invitation letters to portfolio Ministers.

Environment - Waste Disposal Levy - Ongoing levy reallocation

Vote	Environment
Indicative value ($m p.a.)	Up to ~$10-15m, subject to updated forecasts
Treasury advice	This initiative would continue the savings approach taken through changes to the Waste Disposal Levy (WDL) at Budget 2025, to roll out the same approach through to the next year in the forecast period (FY29/30). Savings could be realised in 2029/30 by effectively swapping out Crown revenue with levy revenue for programmes that are currently funded by the levy up to 2028/29 (such as in the Conservation and Primary Industries portfolios). These savings decisions would need to be balanced against ongoing allocation decisions for initiatives that aren't funded beyond 2028/29, such as funding for Crown contaminated sites. We understand that WDL revenue forecasts are likely to be revised down in light of lower construction and demolition activity (which is a key driver of levy receipts). This will impact the level of savings that could be realised at Budget 2026. The Ministry for the Environment (MfE) is due to advise you and the Minister for the Environment in October on design arrangements and a prioritisation framework for the levy-funded Environmental Investment Fund (EIF) created at Budget 2025. We expect this advice will provide further clarity on the revenue forecasts and how decisions on the allocation of levy revenue will be made going forward.
MoF Decision	c. Agree to invite this initiative into Budget 2026 *Agree / disagree*

[33]

Housing – Realising savings from Kāinga Ora cost efficiencies derived through the turnaround plan

Vote	Housing
Indicative value ($m p.a.)	The potential savings quantum is unclear at this stage. However, review work to date has identified that while public housing places were funded at $60,000 per placement, actual delivery has been approximately $46,667, resulting in authorised funding being significantly higher than required.
Treasury advice	As part of the turnaround plan, Kāinga Ora has or is in the process of reviewing its operations and cost drivers and delivery operations. As noted above, a reduction in expenditure related to public housing places has already been identified and we further understand that delivery has been consistently at lower levels than forecast. This ongoing review would therefore consider options to reforecast expected spend and any further efficiencies that could be identified. Whilst these savings would be in the form of reduced forecast expenditure, we believe that there is a portion of these reductions that are as a direct result of reduced expenditure and therefore, more realisable than the non-controllable elements such as interest-rate variations. We recommend that forecast savings only be 'banked' where there is a direct relationship to controllable expenditure levels.
MoF Decision	a. Agree to invite this initiative into Budget 2026 *Agree / disagree*

Finance - Reduce contributions to NZ Super Fund

Vote	Finance
Indicative value ***($m p.a.)***	TBC pending finalisation of BEFU 2026 forecasts. *[For illustrative (though not indicative) purposes, as at BEFU 2025 the potential savings figure from reduced contributions following redirection of $61 million to the Elevate NZ Venture Fund was $8.5 million per annum.]*
Treasury advice	This initiative would reduce contributions to the NZ Superannuation Fund. The New Zealand Superannuation and Retirement Income Act 2001 sets out the processes for calculation and amount of required annual contribution to the Fund. It also provides that if the Government intends to pay less than this then specific information needs to be included in the fiscal strategy report (such as the Government's intentions for ensuring Fund sufficiency). The amount of required annual contribution has much reduced from previous levels and is now approaching the point where it starts 'crossing over' from contribution to withdrawal. Exact timing is uncertain as the calculation is subject to forecast change, but withdrawal is currently forecast to occur in 2027/28 (followed by contribution again in 2028/29). This suggests any decision to reduce levels of capital contributions to the Fund relative to legislative requirement should be modest and based on latest forecast information, to manage the risk that 'savings' turn out to be non-viable. Forecast contributions over 2025/26 - 2028/29 currently total $35 million. This is following a Budget 25 decision to redirect $61 million of the 2025/26 contribution to the Elevate NZ Venture Fund.
MoF Decision	a. Agree to invite this initiative into Budget 2026 *Agree / disagree*

Revenue - Imputation credit flushing

Vote@	Revenue
Indicative value ***($m p.a.)***	Average of $14m p.a. over the forecast period ($55m p.a. starting in 2028/29)
Treasury advice	This initiative would deem a distribution of fully imputed dividends to company shareholders if a company's ownership changes by 34% or more. This item was deferred from Budget 2025 and has been deprioritised in the Tax and Social Policy Work Programme. Imputation credit flushing would involve significant policy complexity and therefore should be progressed with fulsome consultation on a Budget 2027 timeline, but that you agree to start work now.
MoF Decision	a. Agree to invite this initiative into Budget 2026 *Agree / disagree*

[33]

Science, Innovation and Technology - Research and Development Tax Incentive (RDTI)

Vote	Business, Science and Innovation (Science, Innovation and Technology portfolio)
Indicative value ($m p.a.)	TBC (For context, the RDTI averages about $750m p.a. over the forecast period)
Treasury advice	You have commissioned the Minister of Science, Innovation and Technology and the Minister of Revenue to report back to IT&S (Innovation, Technology and Science) ministers with options to improve the RDTI. You have directed for options to be fiscally neutral or positive. The objectives of this work are to enhance the RDTI's "bang for buck", ensure the RDTI continues to support genuine research and development (R&D), and reduce the compliance burden for businesses and improve access for small business. We recommend you consider the savings options that will be provided in October's report back, and not invite separate targeted policy savings at this stage. Following the report back, you may wish to not invite the RDTI for savings, invite it for savings as outlined in the report-back, or seek strengthened savings options beyond those outlined.
MoF Decision	a. Agree not to invite the RDTI into Budget 2026 as a targeted policy savings initiative, and instead consider savings options once advice is provided to IT&S ministers in October *Agree / disagree*