The Treasury

Budget 2026 Information Release

September 2026

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

[2] 6(b)(i) - to avoid prejudice the entrusting of information to the Government of New Zealand on a basis of confidence by the Government of any other country or any agency of such a Government

[4] 6(c) - to avoid prejudice to the maintenance of the law, including the prevention, investigation, and detection of offences, and the right to a fair trial

[7] 6(e)(ii) - to prevent serious damage to the economy of New Zealand by disclosing prematurely decisions to change or continue government economic or financial policies relating to the regulation of banking or credit

[12] 7(a)(i) - to avoid prejudice to the security or defence of the self-governing State of the Cook Islands

[13] 7(a)(ii) - to avoid prejudice to the security or defence of the self-governing State of Niue

[14] 7(a)(iii) - to avoid prejudice to the security or defence of Tokelau

[15] 7(a)(iv) - to avoid prejudice to the security or defence of the Ross Dependency

[23] 9(2)(a) - to protect the privacy of natural persons, including deceased people

[25] 9(2)(b)(ii) - to protect the commercial position of the person who supplied the information or who is the subject of the information

[26] 9(2)(ba)(i) - to protect information which is subject to an obligation of confidence or which any person has been or could be compelled to provide under the authority of any enactment, where the making available of the information would be likely to prejudice the supply of similar information, or information from the same source, and it is in the public interest that such information should continue to be supplied

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

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

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

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

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

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

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

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

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

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

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

Where information has been withheld, a numbered reference to the applicable section of the Act has been made, as listed above. For example, a [23] appearing where information has been withheld in a release document refers to section 9(2)(a).

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TE TAI ŌHANGA
THE TREASURY

Treasury Report: Budget 2026: Further decisions for invitations

Date:	10 October 2025	**Report No:**	T2025/2599
		File Number:	BM-2-1-2026-M129853

Action sought

	Action sought	Deadline
Hon Nicola Willis **Minister of Finance**	**Indicate** your preference for how to treat savings from the baseline reduction **Agree** to a tailored baseline reduction rate for MSD **Provide feedback** on invitation letters and annexes	13 October 2025

Contact for telephone discussion (if required)

Name	Position		Telephone	1st Contact
Darius Paschke	Senior Analyst, Budget	[39]	N/A (mob)	✓
Emily Fulford	Team Leader, 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: No

Treasury Report: Budget 2026: Further decisions for invitations

Purpose of Report

1. This report seeks your decisions on outstanding matters to finalise Budget 2026 invitations. We:

    a. have provided further advice on how outyears savings (i.e., savings from baseline reductions in 2027/28 and 2028/29) could be recognised at Budget 2026 and managed against the Budget 2026 operating allowance;

    b. seek your decision on a tailored baseline reduction rate that you could choose to apply to the Ministry of Social Development (MSD);

    c. provide you with follow-up advice on Budget 2026 invitations (**Annex A)**; and

    d. seek your feedback on the updated letter templates (**Annex B),** baseline reduction annex template **(Annex C),** and individual agency invitation annexes **(Annex D)** for Budget 2026 invitation letters.

Baseline reduction: background

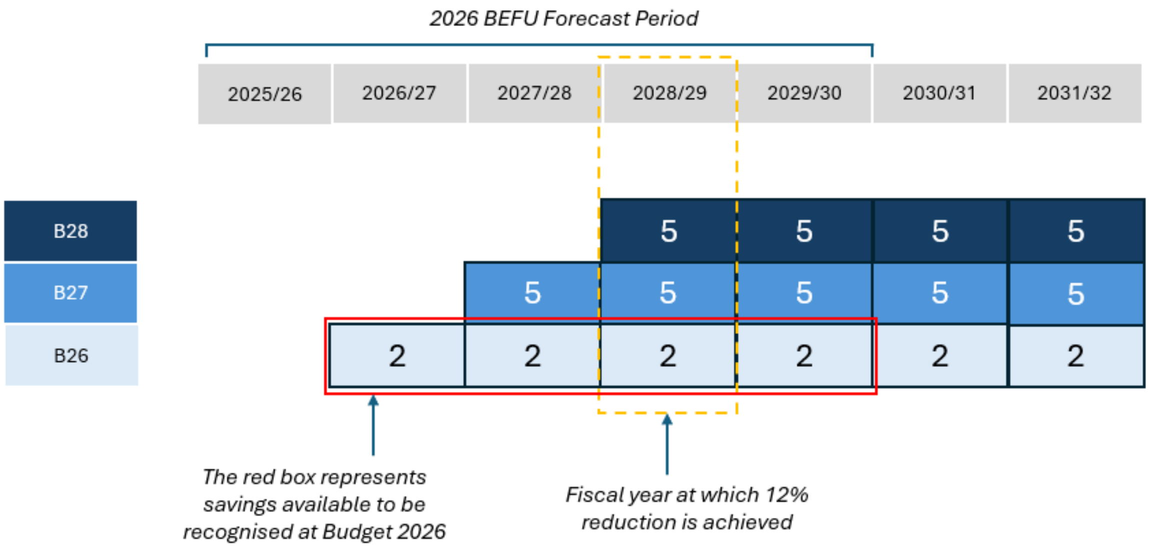
2. You have agreed to progress a baseline reduction to target an overall savings rate of 12%, phased at an incremental rate of 2%, 5%, and 5% [T2025/2541 refers]. In addition, Budget Ministers have also discussed and agreed to this incremental rate and phasing at the latest Budget Ministers meeting on Monday 6 October.

3. Agencies and Ministers will be required to identify and submit savings initiatives totalling 2% of their eligible baselines through the Budget 2026 process, detailing which activities will be reduced or ended and the associated appropriation changes. In addition, they will also need to begin to plan for a further 10% reduction through their 2026/27 Performance Plans.

There are two approaches for how you could implement a baseline reduction

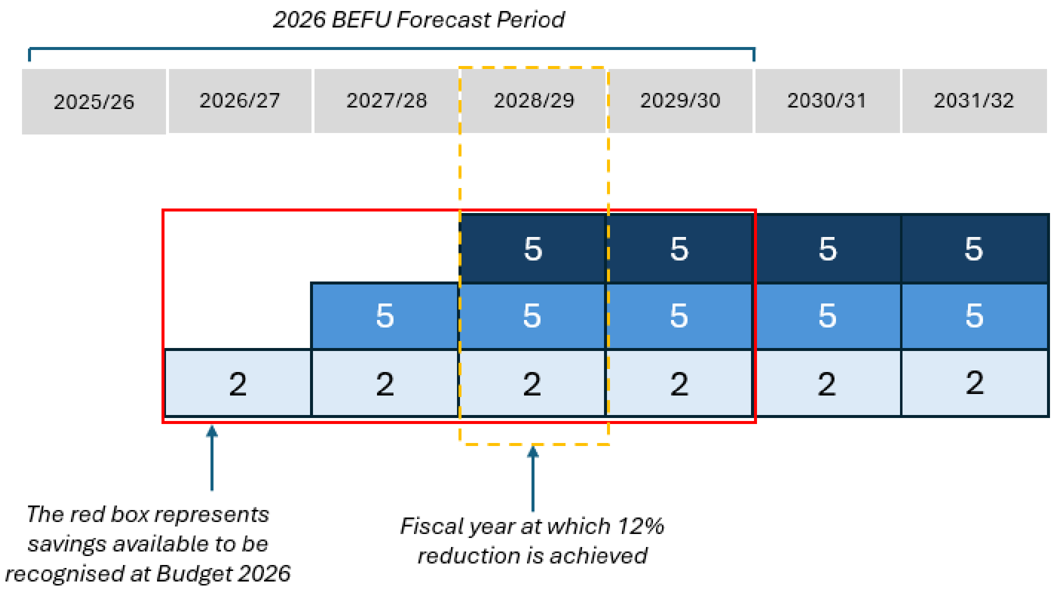
4. In our previous advice, we recommended that you implement the baseline reduction as a multi-Budget process, where you strongly signal at Budget 2026 to agencies and Ministers the overall reductions to be made over time, but recognise each year's savings at their respective Budget. This approach would provide you with an ongoing source of savings to be used at each respective Budget. The diagram below outlines this approach:

Approach 1 – Recognise savings at each Budget



5. You have asked for further advice on whether and how outyears savings (i.e., savings from 2027/28 onwards) could be recognised at Budget 2026. The diagram below outlines this approach:

Approach 2 – Recognise all savings within the forecast period at Budget 2026



6. We note that a multi-Budget process may see more savings recognised at future Budgets than you may be able to recognise at Budget 2026. As reflected in the diagrams above, the financial years of 2030/31 and 2031/32 will fall into the forecast period recognised at Budgets 2027 and 2028, respectively.

7. The table below provides our estimate of savings at Budget 2026 for these two approaches, reflecting the proposed rate of reduction for MSD (outlined further below):

Table 1. Potential baseline reduction savings at Budget 2026

	MSD fully excluded	MSD included at recommended amount
Approach 1: Multi-Budget (i.e., only savings from the 2% reduction recognised at Budget 2026)	$110m p.a.	$110m p.a.
Approach 2: Single Budget (i.e., all savings recognised at Budget 2026)	$450m p.a.	$500m p.a.

8. Below we outline how you could manage outyear savings at Budget 2026, and what steps you would need to take to ensure the fiscal outlook is not negatively impacted.

Managing savings at Budget 2026

9. You have three options for how outyear savings from a baseline reduction could be managed at Budget 2026:

    a. **Option 1:** Multi-Budget approach (previously advised) – recognise the 2% savings at Budget 2026, captured in agencies' Budget submissions, can be used to improve the fiscal outlook, or fund the Budget 2026 package.

    b. **Option 2:** Recognise savings only – on top of recognising 2% savings at Budget 2026, also recognise all outyear savings at Budget 2026 to improve the fiscal outlook.

    c. **Option 3:** Recognise savings and use – on top of recognising 2% savings at Budget 2026, also recognise all outyear savings at Budget 2026 to fund the Budget 2026 package.

10. We consider both a multi-Budget baseline reduction (option 1) and recognising outyear savings at Budget 2026 to improve the fiscal outlook (option 2) to be appropriate options. These two options maintain fiscal discipline and avoid pre-committing savings that are yet to be realised.

11. However, if you wish to instead recognise outyear savings at Budget 2026 and manage these against the Budget 2026 allowance (option 3), we will need to provide you with further advice by November on the trade-offs and considerations associated with this approach. For example, the degree of confidence in committing outyear savings that are yet to be realised to fund new spending at this year's Budget.

12. Regardless of your preferred approach, **we recommend you proceed with issuing your Budget invitation letters as soon as possible**. The letters have been structured to confirm that Budget 2026 submissions will need to detail savings for the initial 2% reduction, and to identify a further 10% of savings over the coming years. A draft has been provided for your consideration.

Recognising savings at Budget 2026

13. If you wish to recognise the full value of outyear savings at Budget 2026 (options 2 or 3 above), Cabinet will need to make a firm commitment to achieve savings beyond 2026/27. This commitment to future reductions in agency baselines would enable the savings to be reflected in the fiscal forecasts and ensure there is not an adverse impact on the fiscal outlook at Budget 2026.

14. To support the achievability of these savings, Cabinet would need to agree specific rates of reduction for agencies and endorse a clear programme of work (for example, on changes to public service models, workforce, and/or legislation, with specific report-backs). This would demonstrate a commitment to the delivery of savings and give effect to the reductions signalled in the forecasts.

15. Once Cabinet has made these decisions, the Treasury could reflect the baseline reduction centrally in the fiscal forecast similar to how tagged contingencies are currently treated. There are choices around when agencies would need to reflect the reduction in their baselines. This could be done through future baseline updates that are approved by Joint Ministers (approach used for the Budget 2011 efficiency savings) or via initiative submissions through future Budgets, which are approved by Cabinet. We are also exploring whether there are other options that would enable agencies to reflect savings in their 2026/27 Estimates of Appropriations without allocating them to specific appropriations. The decision on which option to proceed with would be somewhat dependent on the level of visibility you want to provide Budget Ministers around how savings are being achieved by individual agencies.

16. For the upcoming financial year (i.e., 2026/27), agencies will be required to show how they will deliver the initial 2% baseline reduction through specific appropriation changes. We consider this is achievable given the scale of savings required.

Delivering the baseline reduction will require trade-offs

17. Regardless of which approach you take, achieving the baseline reduction will require active Ministerial trade-offs. We consider it is likely that most savings for at least the first two years of the baseline reduction programme will come from scaling or discontinuing lower-value programmes and policies or those that are less aligned with the Government's priorities. This reflects that agencies are already largely expected to manage cost pressures within their existing baselines, meaning the baseline reduction will require further trade-offs.

18. Agencies are likely to have achieved some efficiencies over recent years, which may be available to be realised as fiscal benefits. These are likely to be a result of stronger fiscal discipline or in anticipation of being asked to return savings to the centre. However, existing efficiencies are unlikely to achieve the full scale of savings required.

19. Overall, these constraints highlight that while delivering the savings will be demanding and require difficult trade-offs, it is achievable with sustained focus and disciplined prioritisation. Transformation and efficiency measures can support this effort, but will not, on their own, deliver the full quantum required.

Advice on MSD's rate of baseline reduction

20. You have asked what a bespoke baseline reduction for MSD could look like.

Savings recognised from MSD in Budgets 2024 and 2025

21. Based on decisions at Budgets 2024 and 2025, MSD is forecast to deliver around $580 million per annum of operating savings by 2028/29:

    a. Around $500 million per annum of these savings are in benefit or related expenses (BORE) appropriations, which are demand driven and based on fewer people receiving support, e.g. a decrease in main benefit recipients.

    b. The remaining around $80 million p per annum come from departmental savings and reducing programmes.

22. MSD's transformation programme, Services for the Future, will also provide further savings, particularly from 2031/32 onwards. [33]
[33], [38]

Table 2: Forecast savings recognised across Budget 2024 and Budget 2025

Operating ($m)							
Savings across Budget 2024 and 2025[1]	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	Total
BORE	-	(228.0)	(144.2)	(252.2)	(502.8)	(834.7)	(1,961.9)
Departmental	(15.2)	(70.9)	(75.3)	(76.4)	(75.7)	(1.7)[2]	(315.2)
Total	**(15.2)**	**(298.9)**	**(219.5)**	**(328.6)**	**(578.5)**	**(836.4)**	**(2,277.1)**

Proposed approach

23. We consider there is an opportunity for further baseline savings from MSD. We recommend a 5% reduction phased in from 2028/29 onwards. [33], [38]
[33], [38]
[33], [38] Based on MSD's eligible base of around $1.9 billion average per annum, this would amount to around $95 million per annum of savings from when it is implemented.

[1] This excludes savings from changes to Jobseeker Support for 18-19 year olds, as savings are still to be confirmed due to recent policy changes taken by Cabinet to introduce a parental income test.

[2] This figure accounts only for savings managed against Budget 2024 and 2025 allowances, which means it does not represent ongoing savings from Budget 2024 of around $70 million p.a.

24. The proposed approach and phasing reflects:

   a. Approximately $1.4 billion of savings are only being realised from 2027/28, as MSD needs to develop IT systems, implement policy and operational changes, and deliver employment programmes. This places significant delivery pressure on MSD over the next two years, and requires departmental expenditure, including FTE, to deliver BORE and departmental savings over the longer term.

   b. Unemployment is forecast to decrease to 4.3% by the 2029 June quarter, from a high of 5.2% in the 2025 June quarter with a corresponding forecast decrease in Jobseeker support numbers (although still above the Government target). As a result, there should be opportunities for MSD to reduce its departmental spend as BORE spend reduces in out years [33]
   [33]
   [33] .

Approach to departmental depreciation in the eligible base

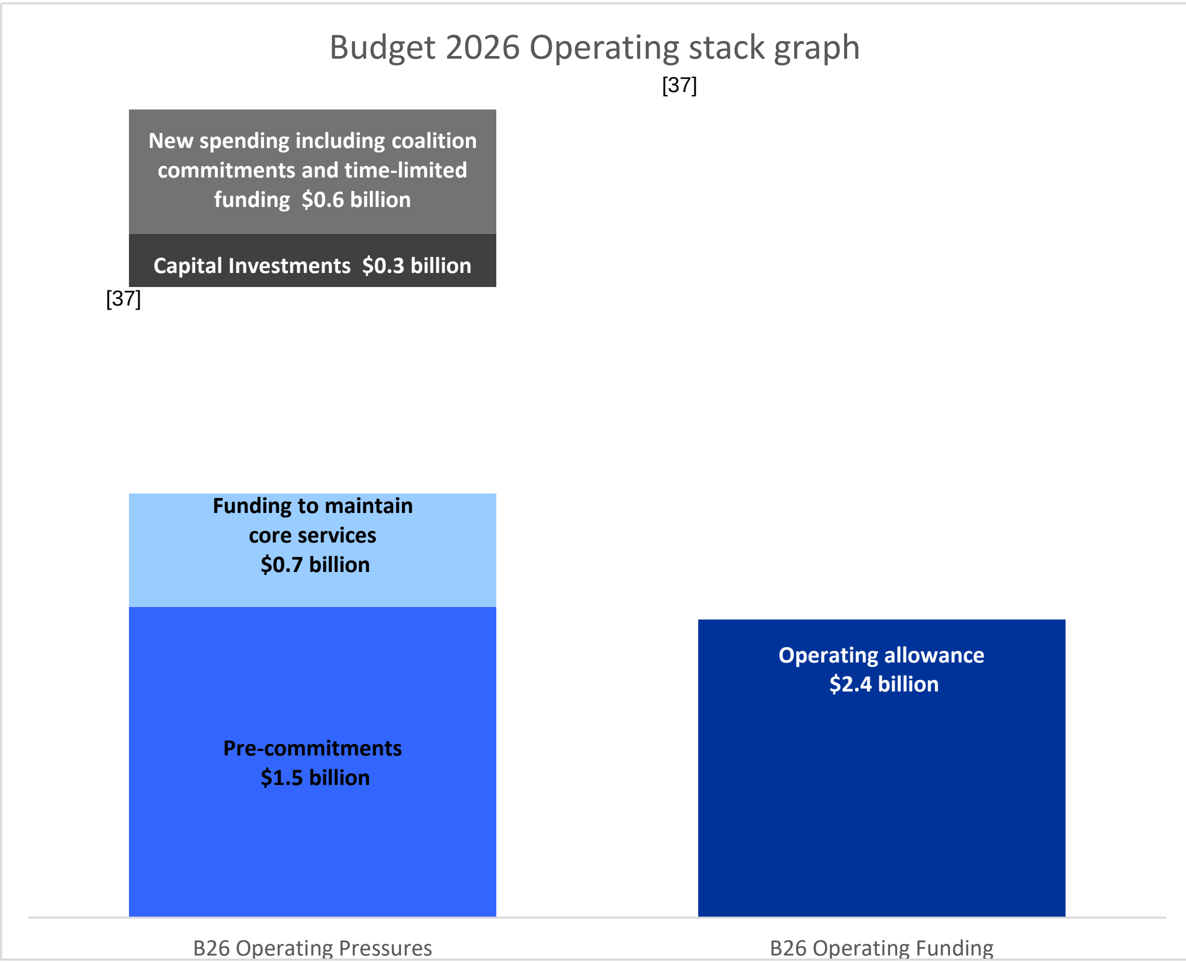
25. Our earlier advice on invitations included mention of how we intended to treat departmental depreciation in the baseline reduction [TR2025/2274 refers]. We noted that we would make minor changes to agency targets after consulting with agencies on any departmental depreciation that is captured in their eligible base. We have reflected this approach in the savings annex to the invitation letters, noting that agencies will need to work with Treasury to do this.

26. We have attached the updated invitation letter template, and spending and savings annexes following discussions at Budget Ministers on Monday 6 October. We have ensured the savings annex reflects the details that agencies need to submit in time for Budget 2026 regardless of if you manage outyears savings against the Budget 2026 allowance or not. The annexes further reflect Budget Minister's agreements on:

    a. inviting envelope agencies to submit a package of initiative of up to the low operating per annum scenario amount; and

[33]

[37]



Additional context for specific spending annexes

Early Childhood Education

28. The Associate Minister of Education's invite letter includes early childhood education (ECE) costs, on the condition that:

    a. any ECE-related initiatives submitted are limited to critical cost pressures,

    b. should be fully offset by reprioritisation within existing ECE baselines i.e. a fiscally neutral package, and

    c. if a cost adjustment is sought as part of the submission, it should be no higher than forecast CPI (as at BEFU 2025).

29. This is a more restrictive approach to ECE than was taken last Budget, so we want to confirm your comfort with the above conditions. We consider these conditions to be appropriate given the fiscal circumstances and findings from the ECE funding review will not be available until after Budget 2026. Please indicate if you would like to amend the proposed conditions to give Hon Seymour more flexibility (for example, by allowing new spend as well as cost pressures to be submitted and/or not requiring costs to be fully offset by reprioritisation), otherwise we will keep the invite letter as currently drafted.

Undisclosed Energy / Resources item

30. You agreed to include a placeholder initiative in Budget 2026 for potential challenges in the energy sector. We recommend the placeholder is held confidentially for the time being. This provides scope to deal with emerging issues through the Budget process, if necessary, without actively encouraging the development of new spending initiatives. Accordingly, the draft invitation letter for the Ministry of Business, Innovation and Employment will not refer to this placeholder initiative.

31. As you are the lead Minister for the Ministry of Business, Innovation and Employment, Associate Minister of Finance Hon Bishop will send this letter to you, and therefore it is not attached to this report.

Ka Ora, Ka Ako | Healthy School Lunches Programme

32. We understand that you wished to make a decision on inviting the Healthy School Lunches Programme into Budget 2026 after Cabinet considered the Associate Minister of Education's proposals for the Programme at SOU on Wednesday 8 October. SOU invited Hon Seymour to update the submission in light of the discussion at the meeting, and report back to SOU on Wednesday 15 October.

33. In the draft Associate Education invitation letter, we have included a placeholder initiative for Healthy School Lunches, with a condition that different funding options, including both baseline funding and time-limited funding, are submitted. If you have any initial feedback on the current placeholder initiative and condition, please indicate this and we will amend it accordingly. Otherwise, we will amend the placeholder initiative once the updated Healthy School Lunches Cabinet paper has been considered by SOU on Wednesday 15 October.

Foreign Affairs

34. We have not included an invitation annex for Foreign Affairs as there are outstanding decisions on specific invitations. We have provided you with our advice on the invites for Foreign Affairs in Annex A. Your decisions will be reflected in the final invitation letters and annexes you will receive on Thursday 23 October.

Health – pay equity

35. No pay equity costs have been included in invitation letter annexes. We note there is a possibility that pay equity claims by Plunket and Hospice nurses may be settled in time for the costs to be considered through Budget 2026, but we consider this unlikely. [33]
[33]
[33]
[33]

Next steps

36. The below outlines the next steps for Budget 2026 invitation letters and annexes to submissions.

Date	Action
Week of 13 October	B26 invitation letters and annexes updated following your feedback.
Thursday 23 October	Final invitation letters and annexes provided to you for approval.
Tuesday 28 October	B26 invitation letters sent to Ministers following your approval.
Wednesday 17 December	Budget 2026 initiative submissions due from agencies and portfolio Ministers

Recommended actions

We recommend that you:

a **note** you do not need to make a final decision on how you wish to recognise and use savings from the baseline reduction at this stage, as your Budget invitation letters have been structured to give effect to any option

b **indicate** your preferred option at this stage for recognising savings from the baseline reduction:

Option 1: multi-Budget approach (recognise savings at each subsequent Budget)	*Yes / No*
Option 2: recognise all savings at Budget 2026, but use outyears savings to improve fiscal outlook	*Yes / No*

Option 3: recognise all savings at Budget 2026 and manage against the Budget 2026 allowance	*Yes / No*

c **note** if your preference is Option 3, we will provide further advice on associated impacts, trade-offs and considerations

d **indicate** the baseline reduction rate you wish to apply to the Ministry of Social Development:

0% / 0% / 5%	*Agree / Disagree*
Other (please specify)	___% / ___% / ___%

e **indicate** your decision on specific initiatives in **Annex A;** and

f **provide** feedback on the invitation letter template (**Annex B)**, baseline reduction annex template (**Annex C)** and individual agency invitation annexes (**Annex D)** attached to the report.

Emily Fulford
Team Leader, Budget

Hon Nicola Willis
Minister of Finance

_____/_____/_______

Annex A: Initiatives for invitations

[33]

[33]

Vote Foreign Affairs – Budget 2026 Invitations

<table>
<tr><td>Vote</td><td>Foreign Affairs</td></tr>
<tr><td>Track</td><td>Spending</td></tr>
<tr><td>Description</td><td>At the Weekly Agency Meeting on 25 September you indicated your preference for the Minister of Foreign Affairs (the Minister) to report to Cabinet ahead of Budget 2026 on IDC funding requirements, including a decision on the next international climate finance commitment andto directly invite specific initiatives based on those already signalled by the Minister in recent Cabinet papers.</td></tr>
<tr><td>Operating Average Per Annum ($m)</td><td>To be confirmed based on your decisions in the below advice.</td></tr>
<tr><td>Total Capital ($m)</td><td>N/A</td></tr>
<tr><td>Treasury advice</td><td>
<u>International Development Cooperation (IDC) Funding</u>
You requested the Minister take a paper to Cabinet to consider options to address the reduction in IDC funding, resulting from the expiry of time-limited funding provided for the 2022-2025 International Climate Finance Commitment (the Commitment) ahead of Budget 2026. We agree it would be beneficial for these issues to be set out clearly for Cabinet to consider the options and relative priority of providing additional funding for this commitment. There are two inter-related issues we recommend Cabinet consider as part of this Cabinet paper:

A new International Climate Finance Commitment: New funding provided for the 2022-2025 Commitment expires at the end of FY2025/26. Budget 2025 provided half of the funding required to ‘baseline’ the previous Commitment ($100 million per annum of IDC funding, plus $5 million per annum for departmental costs). As we have previously advised, we consider any additional IDC funding should be informed by the nature and scope of New Zealand’s next Commitment.
Aid for the Southeast Asia region: This was an IDC funding request ($217.1 million over 2027-2030) signaled by the Minister through his Cabinet paper on implementing the Foreign Policy Reset for Southeast Asia, which he noted was driven by wanting to maintain IDC expenditure in the region in the context of expiring time-limited funding for the previous Commitment [FPS-25-MIN-0021].

We recommend that you invite the Minister, supported by the Minister for Climate Change, to report to Cabinet by the end of the year on IDC funding requirements, including a decision on New Zealand’s next international climate finance commitment. Any additional funding required could be pre-committed against the Budget 2026 operating allowance or invited by Cabinet into the Budget 2026 process based on agreed policy decisions.
Alternatively, you could invite new IDC funding into the Budget 2026 process (via an invite letter), on the condition that the Minister, supported by Minister for Climate Change, report to Cabinet by the end of the year on IDC funding requirements which account for a new international climate finance commitment.
<u>Potential non-IDC Budget 2026 invitations:</u>
There are additional non-IDC related funding areas the Minister has indicated to be a priority for him in recent Cabinet papers:

Hosting the 2027 Pacific Island Forum ($15 million one off): You have already signalled you do not want to invite this into the Budget process [T2025/2274 refers].

[1]
</td></tr>
</table>

	We do not consider that any of the signaled new spending areas should be invited into Budget 2026 as the associated costs can be met from within baselines. You could also choose to invite the Minister for any other non-IDC related initiatives that we are not yet aware of, to further progress the Foreign Policy Reset.
Conditions on Invitation	• All Budget 2026 invitations would need to be conditional on clear identification of alternative reprioritisation options. • A direct invitation for new funding to address the IDC funding reduction, would be conditional on Cabinet agreement of the nature of a new International Climate Finance Commitment.
MoF Decision	1. *With respect to new IDC funding, either:* a) invite the Minister, supported by the Minister for Climate Change, to report to Cabinet by the end of the year on IDC funding requirements, including a decision on New Zealand's next international climate finance commitment. (Yes / No) **(*Treasury recommended)*** *Or* b) invite new IDC funding in the Budget 2026 invitation letter, on the condition that the Minister, supported by Minister Watts, report to Cabinet by the end of the year on IDC funding requirements which account for a new international climate finance commitment. (Yes / No) *And* 2. *with respect to non-IDC related initiatives, invite:* a) Hosting the 2027 Pacific Island Forum. (*Invite* / *Do not invite*) [1] c) Any other non-IDC related initiatives the Minister would like to submit for further progressing the Foreign Policy Reset. *(Invite / Do not invite*)

Vote Health – Pharmac Initiative

<table>
<tr><td>Vote</td><td>Health</td></tr>
<tr><td>Track</td><td>Other Ministerial Priorities</td></tr>
<tr><td>Description</td><td>You have requested a fiscally neutral pharmaceutical proposal for Budget 2026. Following our previous advice, you indicated that you were looking for spending to save pharmaceutical proposals and asked for a proposed quantum if a Pharmac bid was invited beyond that.</td></tr>
<tr><td>Operating Average Per Annum ($m)</td><td>$50m p.a. (noting optionality here) or a fiscally neutral option.</td></tr>
<tr><td>Total Capital ($m)</td><td>N/A</td></tr>
<tr><td>Rationale for invitation</td><td>This invitation would fund more medicines for more New Zealanders and acknowledge the benefit of this investment to the health system. This would also address the Government coalition health commitment to help increase Pharmac's budget every year, noting the significant recent Combined Pharmaceutical Budget funding you provided at Budget 2024 and Budget 2025.</td></tr>
<tr><td>Treasury advice</td><td>Some pharmaceutical spending can help reduce costs that could have otherwise arisen in the health system, for example, a person who is medicated for a condition not then needing to present at ED. However, formally banking savings in the Government accounts from additional pharmaceutical expenditure requires a degree of confidence that we are unlikely to have due to:

the nature of demand in our rationed health system filling to meet any 'space' created; and
impacts being avoided future cost pressures (i.e. reduced demand growth in the future) rather than savings in current health system costs. Unlike for welfare benefit payments, future demand and price growth for Vote Health are not built into Treasury's forecasts.

We recognise that you want to progress an invest to save pharmaceutical proposal and understand the rationale. In our view, you could invite:
a) An initiative providing uplift to the Combined Pharmaceutical Budget. While this would not bank savings, high-level information on flow-on impacts for other parts of the health system could be used to support Budget communications.
- You could request more information from health officials on how this investment in new/widened access to medications will support the health system.
- There is optionality on the quantum. You could invite an average of $50m p.a. Last budget, Pharmac noted that funding an average of $52.5m p.a. would fund 15 new or widened access medicines, including two cancer medicines (noting this was a point in time estimate).
- You could also explicitly direct Pharmac to assess and provide information on broader societal impacts. Pharmac submitted a proposal at Budget 2025 for a pilot for considering societal impacts when assessing funding applications.
and/or
b) An initiative directing Pharmac, Ministry of Health and Health NZ officials to develop a framework and proposal for a fiscally neutral initiative. As noted above we are concerned that we are unlikely to have sufficient information to enable us to bank savings from an initiative. However, we have set out some possible conditions below and could see what proposal the entities provide.</td></tr>
<tr><td>Conditions on Invitation</td><td>For proposal a) you could request:
Pharmac, Ministry of Health and Health NZ officials to provide an initiative with detail on the value of the investment and the benefits to patients and the health system including any avoided future costs.
and/or
Pharmac officials to provide an initiative with detail on a broader societal impacts assessment approach pilot.
For proposal b) you could request:
Officials from the Ministry of Health, Pharmac and Health NZ work, in consultation with Treasury officials, to develop a framework with specific detail on if and how:</td></tr>
</table>

	a. this pharmaceutical funding could result in tangible savings or avoided future cost pressures in other areas of health system spend; b. these savings could be used to offset the CPB uplift in practice, and possible implications for the Pharmac model: and c. realisation of these savings could be monitored.
MoF Decision	a. Agree to invite this initiative into Budget 2026 *Agree / disagree* b. Agree to invite this initiative as: *Proposal a)* *Yes / No* *Proposal b)* *Yes / No* *Both proposal a) and b) if you want to keep optionality during the decision-making phase* *Yes / No*

Vote Internal Affairs – 2026 General Election Support

Vote	Internal Affairs
Track	Cost Pressures – Core Services
Description	This initiative provides funding for costs incurred in preparing for and delivering the transition to the incoming Executive, following the 2026 General Election. Funding will ensure that incoming Ministers have access to staff, technology, office accommodation and other non-discretionary entitlements that they require to be immediately functional and deliver on priorities.
Fiscal implications	Recent information from DIA suggest that final costs are likely to range from $4 million for a small-scale change to up to $12 million for a large-scale transition (e.g., a large-scale scenario from the 2023 General Election assumed a change of up to 28 outgoing and 30 incoming Ministers) DIA has indicated that costs are likely to start arising from 2025/26 (around $1 million based on estimates from the 2023 General Election). However, we consider these could be managed within baselines, with DIA invited to request funding through Budget 2026 for costs arising from 2026/27 onwards. Further opportunities for scaling can also be considered as part of the Budget process. For past initiatives of this nature, funding has been appropriated at a scaled amount, with the remaining portion of funding set aside in a tagged contingency that can be drawn down by Joint Ministers should the costs of the transition be higher than forecast. Any funding remaining in the tagged contingency would be returned to the centre as savings.
Rationale for invitation	Meets the definition of a critical cost pressure: • Unable to be deferred without service delivery failure • Funding is required to meet legal obligations, and • There are limited options for managing the costs with non-spending levers.
Treasury advice	We recommend this initiative is invited for Budget 2026 given its non-discretionary nature and timing of the costs. Historically, election transition costs have been funded through the Budget process ahead of a General Election. Actual costs incurred by DIA in managing the transition are dependent on the scale of change resulting from the General Election, and the size, form, and resourcing requirements of the incoming Executive. These factors are unknown prior to the confirmation of election results and the formation of the incoming Government and Executive Council. DIA has indicated that absorbing the unavoidable and non-discretionary costs incurred in the transition to an incoming executive would likely mean significantly reducing services and staffing levels for Ministers and/or going unappropriated. Costs incurred include: • Immediate and ongoing staffing, technology, and resourcing requirements of the incoming Executive • Contractual payments to outgoing Ministerial office staff, and • Security assessments and other legislative entitlements for Ministers. Regardless of the result of a General Election, DIA has noted (based on previous experience) that there are likely to be considerable changes to Ministerial portfolios, responsibilities, and office staff during the transition period. Baseline resources are prioritised for supporting the transition period to the extent possible, however we understand that specialist project and change management capability is required and short-term resourcing is needed to manage increased workloads. If this initiative is not invited for consideration, there is a high risk that DIA will need to request out of cycle funding through the 2026/27 Between Budget Contingency (BBC) as costs are expected to start arising from 1 July 2026. If a decision were to be taken in the period after the General Election but before a new administration was sworn in – we would need to consider the implications of the caretaker convention on making such a decision and consult with the Cabinet Office if appropriate.
Conditions on Invitation	We recommend that this initiative is invited for Budget 2026 for costs arising from 2026/27 and that DIA are asked to present options for scaling and absorb any transition costs incurred in 2025/26 within baselines.
MoF Decision	a. Agree to invite this initiative into Budget 2026 for costs arising from 2026/27 onwards and that its submission presents options for scaling. *Agree / disagree*

Vote Transport – Rail Initiatives

Vote	Transport
Track	Other Ministerial Priorities
Description	The Minister for Rail has written to you to request invitations to submit three Rail initiatives for Budget 2026: • ***Rail Network Investment Programme (RNIP)***: The programme funds the maintenance, operation and renewal of the national rail network, but is funded only until 2026/27. [33]
Operating Average Per Annum ($m)	• RNIP: $138 million or $44 million for first year only [33]
Total Capital ($m)	• RNIP: [33]) or $350 million for the first year only [33]
Rationale for Inclusion/ exclusion	• RNIP: Include – existing funding is time-limited (to 2026/27) but there is an implied commitment to deliver beyond this. [33]
Treasury advice	**RNIP: You have previously agreed to invite this initiative for Budget 2026 [T2025/2380]**. We continue to recommend inviting this initiative as it aligns with your priorities, and while decisions on funding could be deferred to Budget 2027, we considered there was value in considering a minimum level of forward certainty for planning/contracting purposes. Note you have also agreed to invite an initiative for Metropolitan Rail Renewals in Auckland and Wellington [T2025/2380]. [33]

Conditions on Invitation	You have previously agreed that the RNIP initiative should outline a scenario focused on providing the minimum necessary level of planning/contracting certainty without limiting Ministers' medium-term strategic choices on the upcoming RNIP 2027-30 rail investment; and that the submission should clearly indicate the relative priority of this activity (or components thereof) relative to other invited rail initiatives. [33]
MoF Decision	1. **Reconfirm** your agreement to invite Rail Network Investment Programme initiative into Budget 2026. *Invite / Do not invite* [33]

[1] P50 represents a cost estimate with a 50% probability of not being exceeded, serving as a baseline or median value, while P95 is a more conservative estimate with a 95% probability of the final cost being at or below this figure.

Vote Tari Whakatau: Takutai Moana Financial Assistance Scheme

Vote	Tari Whakatau
Track	Spending
Description	One of Te Tari Whakatau's core functions is facilitating the delivery of Takutai Moana determinations through the provision of financial 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 ($m)	0
Total Capital ($m)	0
Treasury advice	We recommend not inviting this initiative as it is not a critical cost pressure. You previously agreed to invite cost pressure funding for the Takutai Moana Financial Assistance Scheme, which we had recommended as Te Tari Whakatau (TTW) advised forecast demand would exceed baselines from 2026/27 onwards if substantive policy changes were not made [T2025/2274 refers]. TTW has since advised that 2026/27 demand will likely be manageable within baselines as many hearings have been rescheduled to future years. Cost pressures in 2027/28 and outyears can be considered in future [33] [33]
Conditions on Invitation	Not applicable
MoF Decision	a. **agree** to not invite this initiative into Budget 2026. *Agree / Disagree*