The Treasury

Budget 2026 Information Release

September 2026

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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

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MINISTRY OF SOCIAL DEVELOPMENT
TE MANATŪ WHAKAHIATO ORA

TE TAI ŌHANGA
THE TREASURY

Joint Report: Meeting on welfare proposals for Budget 2026

Date:	10 November 2025	**Report No:**	T2025/2836; REP/25/11/874:
Security level:		**File Number:**	SH-3-6-12

Action sought

	Action sought	Deadline
Minister of Finance (Hon Nicola Willis)	**Note** the attached annotated agenda (Appendix One), invest-to-save dashboards (Appendix Two) and list of welfare reform options (Appendix Three)	12 November 2025
Minister for Social Development and Employment (Hon Louise Upston)	**Note** the attached annotated agenda (Appendix One), invest-to-save dashboards (Appendix Two) and list of welfare reform options (Appendix Three)	12 November 2025

Contact for telephone discussion (if required)

Name	Position	Telephone		1st Contact
Alex Harrington	Principal Advisor, Social Sector, Communities and Learning, Treasury	[39]	N/A (mob)	✓
Sacha O'Dea	DCE Strategy and Insights, Ministry of Social Development	N/A	[35]	✓
Samantha Fitch	Principal Analyst, Welfare System and Income Support, Ministry of Social Development	N/A		

Actions for the Minister's Office Staff (if required)

Return signed report to Treasury/Ministry of Social Development.

Note any feedback on the quality of the report	

Enclosure: Yes (attached): annotated agenda (Appendix One), invest-to-save dashboards (Appendix Two), list of welfare reform options across Income Support, Working for Families and the Review of the Social Housing System (Appendix Three)

Joint Report: Meeting on welfare proposals for Budget 2026

Purpose of Report

1. You are scheduled to meet on Wednesday 12 November to discuss progress on welfare proposals for Budget 2026 since Ministers met on 8 September.

2. To support that meeting, this report provides you with:

- an annotated agenda for the meeting (Appendix One)
- dashboards prepared by the Ministry of Social Development (MSD) outlining invest-to-save proposals for Emergency Housing Support Services and supporting sole parent clients into employment (Appendix Two)
- a list of welfare reform options across Income Support, Working for Families and the Review of the Social Housing System (RoSH) for potential inclusion in Budget 2026 (Appendix Three).

Background

3. The Government is facing significant fiscal pressures in the lead-up to Budget 2026. Savings and revenue-raising options will play a critical role in addressing these fiscal pressures and ensuring the Government can deliver Budget 2026 within allowances.

4. You met on 23 July and 8 September to discuss the potential [33] welfare reform for Budget 2026 and beyond, focused on delivering fiscal savings and improving incentives to work.

5. At the 8 September meeting, you discussed potential savings options [33] welfare reform, which would cover Income Support, Housing and Working for Families (WFF). The body of this report provides an update on options in each of these three areas. You also agreed to meet with the Minister of Revenue about WFF options, and Housing Ministers about the connection to RoSH. These meetings took place on 29 September and 13 October respectively.

6. Separately, the Minister of Finance has asked to discuss a report from MSD entitled “Advice on the Preliminary Findings of the Evaluation of Emergency Housing Support Services” received on 28 August (REP/25/8/636 refers). A separate meeting with you and the Associate Minister of Housing is being scheduled to discuss that report.

Income Support options

7. Since you met on 8 September, MSD has been working with the Minister for Social Development and Employment on the income support options for savings. At this point, this comprises:

- Two invest-to-save options – one for Emergency Housing Support Services, and one to support sole parent clients into employment (Appendix Two).

In September you had discussed a possible invest-to-save for [33] Following assessment by MSD, the sole parent proposal is considered to be the option where there is greater confidence in the delivery of savings for Budget 2026. MSD will continue to work on [33] options, however they will not be Budget 2026 invest-to-save proposals.

- Targeted policy savings options for [33] and Temporary Additional Support (TAS), as summarised in Table 1 on page 4.

  The Minister for Social Development and Employment is also considering other changes to TAS, as well as other changes that relate to income charging for those who have annual assessment of income.

8. [33]

[33]

9.

11.

12.

Table 1: Income support targeted policy savings options

	Impact on objectives			*Who is impacted*
Options	**Savings (BoRE only[1], final year &[2])**	**Work incentives[3]**	**Income adequacy (and the impact on child material hardship)**	**Distributional impacts (from estimated implementation)**
[33]				
Temporary Additional Support (TAS) – Formula Changes. This will change [33] maximum rate from 30% to 25%	Average annual savings of [33] assuming implementation from April 2027 [33]	As TAS has 100 percent abatement, improved work incentives as entitlements decrease.	Reduces incomes for those in the welfare system with the lowest residual incomes. [33]	[33] *NB: No change for NZ Superannuation / Veteran's Pension recipients.* We assume increased take-up of recoverable hardship assistance will increase client debt.

1 Costings do not account for any operational funding that would be needed for implementation.

2 These costings are based on BEFU 2025 forecasts; they will change when updated to reflect HYEFU forecasts in November/December. The implementation dates are an estimate and will need to be refined. At this stage we have not modelled impacts on other assistance, e.g. TAS or Hardship Assistance (Special Needs Grants and Recoverable Assistance).

3 The extent to which the financial incentive to work changes decisions about work will depend on a range of factors including macro-economic conditions, the availability of employment in beneficiaries' local labour markets, and alignment between beneficiaries' training skills and/or experience and what local employers are looking for. Availability of appropriate/affordable childcare, transport etc will also play a part.

[33]

[33]

13.

14.

Housing options

15. You met with Housing Ministers and officials on 13 October to discuss the overlap between welfare changes in Budget 2026 and RoSH.

16. The meeting covered options to reduce the gap between the Accommodation Supplement (AS) and Income Related Rent (IRR) including to:

    - increase IRR from 25 percent to 30 percent in 2027, which would have savings of $131 million per annum once implemented, and

    - increase IRR from 30 percent to 35 percent in 2029, which would have additional savings beyond the forecast period (increasing total savings to $283 million in 2031/32).

17. There was also discussion about how savings from the IRR options above could be reallocated, e.g. to other housing priorities (including additional social housing places or increases to the Accommodation Supplement), or returning funding to the centre. The Minister of Finance indicated an expectation that some of the savings should return to the centre.

18. The Minister of Housing and Minister for Social Development and Employment are taking an item to the Cabinet Strategy Committee to provide an overview of RoSH and the key change proposals on 11 November.

19. The Minister for Social Development and Employment remains focused on child material hardship as an important consideration for any social housing changes.

Working for Families options

20. You met with the Minister of Revenue and officials to discuss WFF options on 29 September. Ministers worked through a list of potential changes that could be considered for Budget 2026, and commissioned further work on costings and distributional analysis.

21. The Minister for Social Development and Employment and Minister for Child Poverty Reduction has asked that Child Material Hardship be considered an objective for welfare reform. Officials can consider the additional information that could be provided to Ministers on welfare reform options in relation to this objective. This may be something that you want to discuss, given that the options for WFF and across Income Support and Housing will have a cumulative impact on low-income parents in particular.

22. Officials will provide advice on WFF options by 12 November. This advice will be used to guide the development of Budget initiatives for submission in December.

Discussion topics for the 12 November meeting

23. We have prepared an annotated agenda for the meeting, as set out at Appendix One. We recommend that Ministers use this meeting to discuss:

- the proposed approach to invest-to-save initiatives
- income support savings options
- [33]
- next steps for welfare reform for Budget 2026.

Recommended Actions

We recommend that you **note** the attached annotated agenda, invest-to-save dashboards and list of welfare reform options (across Income Support, Working for Families and the Review of the Social Housing System) for your meeting on 12 November.

Jean Le Roux
Senior Manager, Social Sector, Communities and Learning, The Treasury

Sacha O'Dea
Deputy Chief Executive Strategy and Insights, Ministry of Social Development

Hon Nicola Willis
Minister of Finance

Hon Louise Upston
Minister for Social Development and Employment

Appendix One: Annotated Agenda

Meeting on welfare proposals for Budget 2026

Date: 12 November 2025 **Time:** 4.30pm - 5.00pm

Venue: Beehive 7.2

Attendees: Hon Nicola Willis (Minister of Finance),
Hon Louise Upston (Minister for Social Development and Employment),
Officials from the Treasury and the Ministry of Social Development

	Topic	**Additional information**
1	Employment invest-to-save initiatives *(Refer to Appendix 2)*	At your previous meeting, Ministers commissioned work on two possible employment invest-to-save options: [33] and one for sole parents. MSD has assessed that in the short term only the sole parent proposal would lead to savings. We recommend that Ministers discuss: • the proposed invest-to-save approach for sole parents • [33]
2	Income support savings options *(Refer to Table 1 on page 4)*	At your previous meeting, Ministers commissioned work on: • [33] • [33] • Temporary Additional Support options MSD has worked on these options alongside some other viable options. We recommend that Ministers discuss: • which options to keep progressing for Budget 2026 • whether there are other options that should be progressed (e.g. revisiting previously-discounted options from this process, or from Budget 2025)
3	[33] *(Refer to Appendix 3)*	At your previous meeting, Ministers set a Budget 2026 savings target of [33] welfare reform including income support, WFF and RoSH. Appendix 3 sets out current savings options across those three areas. We recommend that Ministers consider [33] and: • [33] •
4	Next steps	We recommend that Ministers discuss next steps for welfare reform submissions for Budget 2026, including: • your preferred approach to initiative submission in December: do you want a range of proposals submitted, or a preferred package? • whether you want to schedule any meetings with the Minister of Revenue and/or Housing Ministers prior to initiative submission in December.

Appendix Two: Invest-to-save proposals

Dashboards prepared by MSD attached separately.

Appendix Three: List of welfare reform options across Income Support, Working for Families and the Review of the Social Housing System

The table below shows potential welfare reform savings options for Budget 2026 across Income Support, Working for Families and the Review of the Social Housing System. The savings estimates are average annual over the forecast period, as opposed to the annual savings once the initiative is fully implemented. Costing estimates will continue to be updated to reflect operational costs to implement, HYEFU assumptions and implementation timeframes once known.

Not all of the individual savings options can be added together to give an overall total: for instance, [33]

Option	Average annual savings ($ millions)	Notes
Income Support		
[33]		
Invest-to-save sole parents	19	Based on the larger sole parent option which includes 25,000 in case management.
Temporary Additional Support (TAS) – formula changes	[33]	Reduce [33] maxima from 30% to 25% from 1 April 2027. This is to reflect increases in benefit rates since 2018 in TAS formula.
[33]		
Working for Families		
[33]		

Option	Average annual savings ($ millions)	Notes
[33]		
Review of the Social Housing System (and wider housing changes)		
Income Related Rent (IRR) increased from 25% to 30% in 2027, then to 35% in 2029	106	Also options to include changes for Transitional Housing and Emergency Housing.
Emergency Housing invest-to-save	TBC	