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

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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

[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 Bilateral on Welfare Reform

Date:	26 February 2026	**Report No:**	T2026/269
		File Number:	BM-2-4-2026-4-M134028

Action sought

	Action sought	Deadline
Hon Nicola Willis **Minister of Finance**	**Discuss** the contents of this report with Ministers Bishop, Upston, Watts and Potaka at your Budget bilateral meeting	Wednesday 4 March

Contact for telephone discussion (if required)

Name	Position	Telephone		1st Contact
Alex Harrington	Principal Advisor, Social Sector, Communities and Learning	[39]	[35]	✓
Jean Le Roux	Senior Manager, Social Sector, Communities and Learning			

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 Bilateral on Welfare Reform

Purpose of Report

1. You are meeting with the Minister of Housing (Hon Chris Bishop), Minister for Social Development and Employment (Hon Louise Upston), Minister of Revenue (Hon Simon Watts), and Associate Minister of Housing (Hon Tama Potaka) at 5pm on Wednesday 4 March to discuss the development of a welfare reform package to be included in Budget 2026.

2. This is the first in a series of bilaterals on this topic. Following the 4 March bilateral, there are three further bilaterals scheduled with relevant Ministers to discuss the individual areas of Income Support (11 March), Social Housing (23 March) and Working for Families (24 March). Decisions taken at this first bilateral will help determine the agendas for the following three bilaterals.

    a. **Annex 1** provides you with a proposed annotated agenda for the meeting and supporting Treasury advice. **This version will not be provided to portfolio Ministers ahead of the meeting.**

    b. **Annex 2** is an annotated agenda that has – with your office's approval – also been sent to the office of the portfolio Ministers and their agencies. **It is provided for your visibility only. You do not need to review it – there is no additional material in Annex 2 that is not already in Annex 1.**

    c. **Annex 3** provides two summary A3s showing the costings and distributional impacts of five illustrative welfare savings packages, for discussion under Agenda Item 1. These A3s were part of a joint agency report sent to relevant Ministers on 20 February [T2026/198 refers]. These A3s have been re-sent to the offices of the portfolio Ministers and their agencies.

    d. **Annex 4** provides the list of all individual welfare savings initiatives submitted for Budget 2026, for Ministers to work through under Agenda Items 2 and 3. This has been sent to the offices of the portfolio Ministers and their agencies

    e. **Annex 5** provides you with Treasury's assessment of each initiative. **This will not be provided to portfolio Ministers ahead of the meeting.**

3. Decisions taken at this meeting will be reflected in the draft material for Budget Ministers 3 that we are providing you on 13 March, and will inform the briefings we provide you for the remaining three welfare reform bilaterals later in March.

Recommended Action

We recommend that you:

a **discuss** the contents of this report with the Minister of Housing (Hon Chris Bishop), Minister for Social Development and Employment (Hon Louise Upston), Minister of Revenue (Hon Simon Watts), and Associate Minister of Housing (Hon Tama Potaka) at the bilateral meeting on Wednesday 4 March;

Agenda Item 1 – Overall approach for welfare savings in Budget 2026

b [33]

c **ask** Ministers for their views on the illustrative packages, their ambition to achieve fiscal savings, and their comfort with the potential impacts on income adequacy and child poverty;

Agenda Item 2 – Agreeing to the savings initiatives in the 'base package'

d **inform** Ministers that you are comfortable proceeding with the initiatives in the 'base package' as a starting point;

e **ask** Ministers if they agree with proceeding with these initiatives;

Agenda Item 3 – Discussing the remaining savings initiatives

f **discuss** your views on each of the remaining initiatives with Ministers and **take decisions** on each of them;

Agenda Item 4 – Commissioning for next three bilaterals

g **direct** officials to prepare costing and distributional information on a new package or packages of initiatives as agreed under Agenda Items 2 and 3 above;

h **direct** officials to provide additional information about specific initiatives as agreed under Agenda Items 2 and 3 above.

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

Hon Nicola Willis
Minister of Finance

Annex 1 – Agenda and Supporting Advice

Agenda Item 1 – Overall approach for welfare savings in Budget 2026

Description of key issue and recommended discussion points	Ministers have submitted welfare savings initiatives that total [33] across Income Support, Working for Families and Social Housing. Officials have provided costings and distributional analysis to Ministers on five illustrative welfare savings packages that would achieve different objectives (see summary A3s in Annex 3): 1. **Base package** [33] – initiatives that we understand are likely to proceed 2. [33] 3. 4. 5. We recommend that Ministers agree the overall balance of a welfare savings package for Budget 2026, including: • what size of fiscal savings are Ministers comfortable with, given the impacts that different-sized packages would have on work incentives, income adequacy and child poverty? • are there particular components of a welfare savings package that Ministers want to focus on?
Treasury recommended talking points	• [33] • **Ask** Ministers for their views on the illustrative packages, their ambition to achieve fiscal savings, and their comfort with the potential impacts on income adequacy and child poverty.
Treasury advice	Last year we gave you advice on addressing medium-term expenditure pressures [T2025/1119 refers]. [33] As a result, and following conversations with Ministers, officials have prepared welfare savings options for consideration through Budget 2026. Constructing a welfare savings package involves making trade-offs across multiple competing objectives, in particular: • improving work incentives, particularly moving from welfare to work • making fiscal savings

	• managing the inevitable associated impacts on income adequacy and child poverty for different population groups How best to balance across these competing objectives is ultimately a judgement call for Ministers. At earlier meetings you have indicated an interest in both the work incentives and fiscal savings objectives, which has informed our advice. The distributional analysis of the five illustrative packages in Annex 3 gives a sense of the impacts that different packages would have on family incomes and poverty levels. [33] While there is headroom within the Budget 2026 operating allowance as it stands, we still recommend progressing a package of welfare savings initiatives to improve work incentives and to put the welfare system onto a more sustainable fiscal footing, given the wider context of medium-term expenditure pressures. Treasury's first-best advice on an overall Budget 2026 package included a welfare savings package [33] made up of the initiatives in the 'base package' plus an additional four initiatives (please see Agenda Items 2 and 3 below for details). In our view, a package of that kind of size and composition would strike a reasonable balance across the competing objectives, though Ministers will of course make their own judgements.

Agenda Item 2 – Agreeing to the savings initiatives in the 'base package'

Description of key issue and recommended discussion points	A list of all of the welfare savings initiatives is set out in Annex 4. To progress further advice and to help form the package, we first recommend that Ministers agree to the initiatives from the 'base package', [33] : 1. Income Support: Temporary Additional Support - Formula changes [33] 2. Social Housing: Increase tenant contribution for social housing (IRR) to 30% in 2027 **($91m)** 3. [33] 4. Income Support: Income Charging Phase 2 – savings from further policy decisions **($13m)** 5. Income Support: Invest in employment support for sole parents to reduce welfare costs and material hardship for children **($24m)** 6. Income Support: Emergency Housing – extending scaled-down support services **($4m)** 7. Working for Families: Simplifying eligibility settings and improving information sharing with Customs **($11m)**
Treasury recommended talking points	• **Inform** Ministers that you are comfortable proceeding with the initiatives in the 'base package' as a starting point. • **Ask** Ministers if they agree with proceeding with these initiatives.

Treasury advice	We support all the initiatives in the base package, as set out below.

Initiative	**Rationale**
1. Income Support: Temporary Additional Support - Formula changes [33]	This initiative makes large savings and improves work incentives, as Temporary Additional Support has a 100% abatement rate.
2. Social Housing: Increase tenant contribution for social housing (IRR) to 30% in 2027 **($91m)**	This initiative meets the objectives of closing the gap between housing subsidies (Income-Related Rent and Accommodation Supplement) and increasing the social housing system's financial sustainability.
[33]	
4. Income Support: Income Charging Phase 2 – savings from further policy decisions **($13m)**	This initiative makes savings and improves the accuracy of benefit payments.
5. Income Support: Invest in employment support for sole parents to reduce welfare costs and material hardship for children **($24m)**	This initiative's costings and approach align with the agreed invest-to-save framework. Historical evidence shows estimated returns of around $3.40 for every dollar invested. The initiative also improves long-term labour market attachment for participants. This increases future earnings and reduces repeat benefit receipt, and there are likely to be additional long-term benefits for children.
6. Income Support: Emergency Housing – extending scaled-down support services **($4m)**	There is some evidence suggesting the existing services reduce demand for emergency housing, although the low number of recipients means a rigorous evaluation has not been possible, and non-participant effects may diminish the overall effect. The initiative is therefore likely to achieve fiscal savings, although their quantum is uncertain. The targeted nature of the services is appropriate given the number of emergency housing recipients has fallen substantially.
7. Working for Families: Simplifying eligibility settings and improving information sharing with Customs **($11m)**	This initiative simplifies the Working for Families scheme's income definitions to improve the accuracy of payments and customer debt outcomes, and improves information sharing between Inland Revenue and Customs to support this.

Agenda Item 3 – Discussing the remaining savings initiatives

Description of key issue and recommended discussion points	Taking the initiatives in the 'base package' as a starting point, we then recommend that Ministers discuss the remaining list of welfare savings initiatives and indicate for each one whether Ministers want the initiative to be included or excluded, or if Ministers want to receive further information: 1. [33] 2. 3. 4. Income Support: Accommodation Supplement – targeted maxima increases **$40m spending** 5. [33] 6. 7. 8. 9. 10 11 12 13
Treasury recommended talking points	• **Discuss** your views on each of the remaining initiatives with Ministers and **take decisions** on each of them.

Treasury advice	Our advice on the remaining savings initiatives is set out in the table below. [33]

Initiative	Advice and rationale
[33]	
4. Income Support: Accommodation Supplement – targeted maxima increases **$40m spending**	**Do not support.** This initiative has a fiscal cost and is not a high priority for investment in Budget 2026.
[33]	

	[33]

Agenda Item 4 – Commissioning for next three bilaterals

Description of key issue and recommended discussion points	Following this 4 March bilateral, there are three further bilaterals scheduled with relevant Ministers to discuss the following components of the welfare savings package: • 11 March: Income Support and wider Social Development (Ministers Willis and Upston) • 23 March: Social Housing (Ministers Willis, Bishop, Upston and Potaka) • 24 March: Working for Families (Ministers Willis, Upston and Watts) We recommend that Ministers agree specific commissioning for officials ahead of the next three welfare savings bilaterals. This could include: • preparing costing and distributional information on a new package or packages of initiatives • providing additional information about specific initiatives
Treasury recommended talking points	• **Direct** officials to prepare costing and distributional information on a new package or packages of initiatives as agreed under Agenda Items 2 and 3 above. • **Direct** officials to provide additional information about specific initiatives as agreed under Agenda Items 2 and 3 above.
Treasury advice	While the five illustrative packages that officials have prepared are useful in demonstrating the potential impacts of particular combinations of initiatives, we do not expect that Ministers will necessarily choose one of these five packages as their preferred welfare savings package. Rather, we expect the preferred package will involve some mixing and matching. As a result, following this bilateral we expect we will need to prepare costing and distributional information on a new package or packages of initiatives, and to provide additional information about specific initiatives. Realistically we do not expect new package distributional analysis to be available in time for the 11 March bilateral on Income Support and wider Social Development. But it would be available for the 23 March and 24 March bilaterals on Social Housing and Working for Families, and to inform Ministers' decisions in finalising the package later in March and into April. And we may well be able to provide the additional information on specific initiatives in time for the 11 March bilateral. It is important that Ministers agree clear commissioning for officials at this bilateral to enable package analysis to get underway. Once Ministers have made decisions on their preferred components of a welfare savings package, there is still considerable work for officials to do in finalising the details, including regulatory impact analysis, legislative drafting and operational planning. With this in mind, it is important to get clear decisions on as much of the package as possible at the 4 March bilateral meeting, and to narrow down the outstanding areas that need to be discussed and confirmed at the remaining bilaterals.

Annex 2 – Annotated Agenda that has been referred to the portfolio Ministers

Agenda

The proposed agenda for this meeting is set out below. Further details on each agenda item are set out in the tables below.

1. **Overall approach for welfare savings in Budget 2026**
2. **Agreeing to the savings initiatives in the ‘base package’**
3. **Discussing the remaining savings initiatives**
4. **Commissioning for next three bilaterals**

Agenda Item 1 – Overall approach for welfare savings in Budget 2026

Description of key issue and recommended discussion points	Ministers have submitted welfare savings initiatives [33] across Income Support, Working for Families and Social Housing. Officials have provided costings and distributional analysis to Ministers on five illustrative welfare savings packages that would achieve different objectives (see summary A3s in Annex 3): 1. **Base package** [33] – initiatives that we understand are likely to proceed 2. [33] 3. 4. 5. We recommend that Ministers agree the overall balance of a welfare savings package for Budget 2026, including: • what size of fiscal savings are Ministers comfortable with, given the impacts that different-sized packages would have on work incentives, income adequacy and child poverty? • are there particular components of a welfare savings package that Ministers want to focus on?

Agenda Item 2 – Specific welfare savings initiatives

Description of key issue and recommended discussion points	A list of all of the welfare savings initiatives is set out in Annex 4. To progress further advice and to help form the package, we first recommend that Ministers agree to the initiatives from the ‘base package’, which sum to around $420 million: 1. Income Support: Temporary Additional Support - Formula changes [33]

	2. Social Housing: Increase tenant contribution for social housing (IRR) to 30% in 2027 **($91m)** 3. [33] 4. Income Support: Income Charging Phase 2 – savings from further policy decisions **($13m)** 5. Income Support: Invest in employment support for sole parents to reduce welfare costs and material hardship for children **($24m)** 6. Income Support: Emergency Housing – extending scaled-down support services **($4m)** 7. Working for Families: Simplifying eligibility settings and improving information sharing with Customs **($11m)**

Agenda Item 3 – Discussing the remaining savings initiatives

Description of key issue and recommended discussion points	Taking the initiatives in the 'base package' as a starting point, we then recommend that Ministers discuss the remaining list of welfare savings initiatives and indicate for each one whether Ministers want the initiative to be included or excluded, or if Ministers want to receive further information: 1. [33] 2. 3. 4. Income Support: Accommodation Supplement – targeted maxima increases **$40m spending** 5. [33] 6. 7. 8.

	9. [33] 10. 11. 12. 13.

Agenda Item 4 – Commissioning for next three bilaterals

Description of key issue and recommended discussion points	Following this 4 March bilateral, there are three further bilaterals scheduled with relevant Ministers to discuss the following components of the welfare savings package: • 11 March: Income Support and wider Social Development (Ministers Willis and Upston) • 23 March: Social Housing (Ministers Willis, Bishop, Upston and Potaka) • 24 March: Working for Families (Ministers Willis, Upston and Watts) We recommend that Ministers agree specific commissioning for officials ahead of the next three welfare savings bilaterals. This could include: • preparing costing and distributional information on a new package or packages of initiatives • providing additional information about specific initiatives

Summary of impacts

		Package 1: Base package This is a set of proposals that we understand are likely to proceed. This also forms the basis of four other packages.	[33]	[33]	[33]
Proposals included		– *Social Housing: increase minimum tenant contribution for social housing (IRR) from 25% to 30%* – *Temporary Additional Support: formula changes including* [33] *maximum rate from 25% to 30% of relevant benefit* [33] – *Income charging additional savings* – *Invest-to-save sole parents* – *Invest-to-save Emergency Housing* – *Working for Families: income definition and Customs info share*		– *Accommodation Supplement: targeted Maxima Increases* [33]	
Fiscals	**Savings** *(net annual allowance impact)* [1]	[33]			
	Estimated Implementation costs *(total over forecast)*				
Impacts *(Tax year 2029/30)*	**Total number of families worse off compared with current policy settings**				
	Average weekly income loss				
	Increase in child poverty[2]				
	Increase in adults in poverty				
Overall comments					

1. [33]
2. Using After Housing Costs, fixed line measure (AHC50): The number of children in households with incomes less than 50% of the median equivalised disposable household income after deducting housing costs (AHC) for the 2017/18 base financial year, adjusted for inflation.

Scenario families

The example families below are designed to be reasonably ‘typical.’ The sole parent is assumed to live in South Auckland, the single beneficiary lives in provincial NZ, and the couple lives in Christchurch. Rents are based on average rents paid by AS recipients. Employment earnings are based on the minimum wage for the sole parent and single person, and $30 per hour for the couple family.

	Total income after housing costs		
	Status quo	**Package 1: Base package** This is a set of proposals that we understand are likely to proceed. This also forms the basis of four other packages.	[33]
1a Sole Parent, benefit, private rental	$504	[33]	
1b Sole parent, benefit, social housing	$661		
1c Sole parent, in work (25 hours at minimum wage), private rental	$685		
2a Single person, on benefit, private rental	$266		
2b Single person, working (40 hours at minimum wage), private rental	$499		
3a Couple, 4 children, on benefit, private rental	$919		
3b Couple, 4 children, on benefit, social housing	$1,177		
3c Couple, 4 children, working (1 partner works 40 hours at $30 per hour), private rental	$1,149		

Notes:

These comparisons use MSD’s Effective Marginal Tax Rate (EMTR) model to illustrate impacts on common household types.

The scenarios are modelled as at 1 May 2030 to show full package effect as far as possible

Annex 4 – List of individual welfare savings initiatives (see Agenda Items 2 and 3)

For each initiative, please indicate whether Ministers want the initiative included in, or excluded from, the welfare savings package, or if Ministers want more information.

Category	Initiative and annual average savings	Include	Exclude	More information
1. Initiatives that Ministers have indicated agreement for in previous discussions, i.e. initiatives that are in the "base package"				
Income Support	Temporary Additional Support - Formula changes [33]			
Social Housing – IRR	Increase tenant contribution for social housing (IRR) to 30% in 2027 **($91m)**			
[33]				
Income Support	Income Charging Phase 2 – savings from further policy decisions **($13m)**			
Income Support – Invest-to-save	Invest in employment support for sole parents to reduce welfare costs and material hardship for children **($24m)**			
Income Support – Invest-to-save	Emergency Housing – extending scaled-down support services **($4m)**			
Working for Families	Simplifying eligibility settings and improving information sharing with Customs **($11m)**			
2. Options still under consideration				
[33]				

Category	Initiative and annual average savings	Include	Exclude	More information
Income Support	Accommodation Supplement – targeted maxima increases **$40m spending**			
[33]				

Annex 5 – Treasury recommendations on welfare savings submissions

See attached document (iManage document #5,258,751, T2026-269 Annex 5.pdf)

Budget 2026 - Package as at 25 February 2026 (Welfare Reform)

Note

1. Some initiatives have significant out year components. This alters the way operating averages are calculated and may result in misalignment between Total Opex and Opex P.A. in the Treasury Package.
2. This annex aligns to the 'low' package set out in the Budget Ministers slides
3. Treasury's VAD framework quantifies the value (weighted through benefits and costs), alignment to Government Budget 2025 priorities, and delivery feasability of an initiative, rated from 1 (low) to 4 (high).

							Dept. Submissions $(m)			Current Package $(m)			Value for Money Values		
Vote	**ID**	**Budget Track**	**Title**	**Description**	**Current Status**	**Treasury Recommendation and Commentary**	**Total Opex**	**Opex P.A.**	**Total Capex**	**Total Opex**	**Opex P.A.**	**Total Capex**	**V**	**A**	**D**
Housing and Urban Development	17277	Welfare Reform	Tenant contribution to housing costs – increasing the minimum IRR for social housing	This initiative lifts the Income-Related Rent (IRR) contribution of social housing tenants. For most households this will result in an IRR increase from 25 to 30 percent of income. The initiative is part of the Review of Social Housing (RoSH) which has identified a significant difference between IRR and the accommodation supplement (AS). Bringing the subsidies closer together is intended to improve fairness between social housing (SH) and private market renters, incentives to work, and mobility out of SH. The initiative will result in estimated total net savings of $363.791m on the Income Related Rent Subsidy (IRRS) over the forecast period. The initiative will go live on 1 April 2027 and require a lead-in time of 12 months, with delivery costs of $5.217m in OPEX and $1.500m in CAPEX.	Included	We recommend supporting a scaled-up option of this initiative by increasing tenants' income-related rent to 30% in April 2027 and to 35% in April 2029. This scaled-up option better meets the objectives of closing the gap between housing subsidies and increasing the system's financial sustainability. This initiative makes up part of the welfare reform package that balances fiscal savings, work incentives and impacts on income adequacy and child poverty. We will provide more advice on this initiative (including modelling on the collective impacts of reform initiatives) as part of advice on potential welfare reform packages in late February to inform bilateral discussions in March.	(363.8)	(90.9)	1.5	(2,047.4)	(227.5)	1.5	2	4	4
Revenue	17080	Welfare Reform	[33]												
	17179	Welfare Reform	Welfare reform: Working for Families – simplifying eligibility settings and improving information sharing with Customs	This initiative would simplify the Working for Families scheme's eligibility rules to improve the accuracy of payments and customer debt outcomes. The changes would simplify 1) the types of income looked at when calculating entitlements (removing income types where there is low risk of mischaracterisation of income) and 2) the residence requirements used to determine whether a caregiver and dependent child are eligible for support. To support the application of and compliance with the proposed new residence rules, the initiative also proposes improved information sharing between Inland Revenue and the New Zealand Customs Service. Note: All fiscals are recurring from 2029/30. Ministers have not selected a preferred option yet. Note: All fiscals are recurring from 2029/30.	Included	We recommend supporting this initiative as part of a welfare reform package that balances fiscal savings, work incentives and impacts on income adequacy and child poverty. The initiative delivers savings by simplifying the Working for Families scheme's income definitions to improve the accuracy of payments and customer debt outcomes, and improve information sharing between Inland Revenue and Customs to support this. This initiative makes savings and improves the accuracy of payments. We will provide more advice on this initiative as part of advice on potential welfare reform packages in late February to inform bilateral discussions in March.	(56.3)	(14.1)	-	(56.3)	(14.1)	-	4	4	3
	17184	Welfare Reform	[33]												

							Dept. Submissions $(m)			Current Package $(m)			Value for Money Values		
Vote	ID	Budget Track	Title	Description	Current Status	Treasury Recommendation and Commentary	Total Opex	Opex P.A.	Total Capex	Total Opex	Opex P.A.	Total Capex	V	A	D
Revenue	17185	[33]													
	17186														
	17201														
Social Development	17203														
	17204	Welfare Reform	Temporary Additional Support – Formula changes	This cross-Vote initiative reduces expenditure on Temporary Additional Support by adjusting the formula to account for the above indexation increases to main benefits between 2018 and 2023. Because of how main benefit rates are used to calculate a client's entitlement, the formula assumes people's daily living costs have increased by more than inflation. The initiative will rebalance the formula [33] to account for this. This change does not impact NZ Superannuants or recipients of Veteran's Pension as these clients did not have the same out of cycle increases to their benefit rates over the period. The formula change also includes a change to the allowable cost categories. This will remove child support liability as an allowable cost.	Included	We recommend supporting this initiative as part of a welfare reform package that balances fiscal savings, work incentives and impacts on income adequacy and child poverty. The initiative delivers savings by reducing expenditure on Temporary Additional Support by adjusting the formula to account for above-indexation increases to main benefits between 2018 and 2023. This initiative makes large savings and improves work incentives, as Temporary Additional Support has a 100% abatement rate. We will provide more advice on this initiative as part of advice on potential welfare reform packages in late February to inform bilateral discussions in March.	[33]						3	3	3

							Dept. Submissions $(m)			Current Package $(m)			Value for Money Values		
Vote	ID	Budget Track	Title	Description	Current Status	Treasury Recommendation and Commentary	Total Opex	Opex P.A.	Total Capex	Total Opex	Opex P.A.	Total Capex	V	A	D
Social Development	17205	Welfare Reform	Income Charging Phase 2 – savings from further policy decisions	This initiative expands on the Budget 2025 initiative income charging Phase 2, which is a critical enabler for MSD's Services for the Future work programme. Income charging Phase 2 relies on PAYE salary and wages income information shared by IR and used by MSD to automatically charge as income against income-tested financial assistance clients receive from July 2028. This initiative includes additional savings from removing annual income assessments, and extending information sharing and income charging rules to some Accident Compensation Corporation (ACC) payments. It also includes transitional costs relating to the income charging initiative, as a whole, as well as a cost neutral change to charge non-PAYE income forwards from the point it is received by clients.	Included	We recommend supporting this initiative as part of a welfare reform package that balances fiscal savings, work incentives and impacts on income adequacy and child poverty. The initiative delivers savings by improving the information the Ministry of Social Development uses to charge as income against income-tested financial assistance. This initiative makes savings and improves the accuracy of benefit payments. We will provide more advice on this initiative as part of advice on potential welfare reform packages in late February to inform bilateral discussions in March.	(52.5)	(13.1)	-	(52.5)	(13.1)	-	4	4	3
	17206	Welfare Reform	Invest in employment support for sole parents to reduce welfare costs and material hardship for children	The number of sole parents receiving a benefit has been steadily increasing alongside other benefit types with 80,600 on SPS and13,900 on JS as of September 2025. This invest-to-save initiative seeks funding from July 2026 to June 2028 for 228 additional frontline case management FTE, more Flexi-Wage funding, enhanced placement programs, and a $1m flexible fund. Evidence shows that work-focused case management reduce peoples time on benefit and increase sustained exits. Cost-effectiveness for this group is amplified because parents (both SPS and JS-SP) receive higher benefit payment rates to support their dependent children, while evidence shows that work-focused case management significantly reduces time on benefit and delivers strong returns, around $3.40 for every dollar invested.	Included	We recommend supporting this initiative, which would invest in employment supports for sole parents, and recognises savings as a result. Sole parents are typically eligible to receive benefit payments when they are out of work, so interventions that promote employment will typically deliver fiscal savings. This is supported by historical New Zealand evidence, which shows that estimated returns are around $3.40 for every dollar invested. We are confident that the Ministry of Social Development's costings and approach aligns with the agreed invest-to-save framework. The initiative also improves long-term labour market attachment for participants. This increases future earnings and reduces repeat benefit receipt, and there are likely to be additional long-term benefits for children.	(97.2)	(24.3)	-	(97.2)	(24.3)	-	4	4	3
	17207	[33]													
	17208														

							Dept. Submissions $(m)			Current Package $(m)			Value for Money Values		
Vote	ID	Budget Track	Title	Description	Current Status	Treasury Recommendation and Commentary	Total Opex	Opex P.A.	Total Capex	Total Opex	Opex P.A.	Total Capex	V	A	D
Social Development	17260	Welfare Reform	Accommodation Supplement – Targeted Maxima Increases	This initiative will provide funding to: - make targeted adjustments to the Accommodation Supplement (AS) by increasing the maxima for Areas 3 and 4 from 1 April 2027 - cover additional costs from higher AS payments to eligible clients. The initiative will increase the amount of AS assistance received by approximately 50,000 families, with an average increase of approximately $19 per week. This increase partially responds to the rise in housing costs since the AS maxima was last updated in 2018, based on 2016 rents. More information can be found in the attached document.	Excluded	We recommend not supporting this initiative as part of a welfare reform package that balances fiscal savings, work incentives and impacts on income adequacy and child poverty. The initiative delivers savings by make targeted adjustments to the Accommodation Supplement by increasing the maxima for Areas 3 and 4. This initiative has a significant fiscal cost and is not a high priority for investment in Budget 2026. We will provide more advice on this initiative as part of advice on potential welfare reform packages in late February to inform bilateral discussions in March.	161.2	40.3	-	-	-	-	3	2	3
	17286	[33]													
	17359														