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

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[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 Bilateral on Vote Social Development

Date:	9 March 2026	**Report No:**	T2026/327
		File Number:	BM-2-4-2026-4-M134284

Action sought

	Action sought	Deadline
Hon Nicola Willis **Minister of Finance**	**Discuss** the contents of this report with the Minister for Social Development and Employment/ Minister for Child Poverty Reduction at your Budget bilateral meeting	Review ahead of meeting at 12pm on Tuesday 10 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 Vote Social Development

Purpose of Report

1. You are meeting with the Minister for Social Development and Employment/Minister for Child Poverty Reduction (Hon Louise Upston) at 12pm on Tuesday 10 March to discuss Vote Social Development initiatives to be included in Budget 2026. This follows a bilateral on 4 March where Ministers discussed welfare reform initiatives across Income Support, Working for Families and Social Housing.

   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 you with the Social Investment Agency's comments on the proposed monitoring and evaluation plans for three Vote Social Development initiatives, which were reviewed as part of the Social Investment Agency's assessment of monitoring and evaluation plans for initiatives in Budget 2026. **This will not be provided to portfolio Ministers ahead of the meeting.**

2. Decisions taken at this meeting will be reflected in the next draft Budget Ministers material we are providing you on Friday 20 March.

Recommended Action

We recommend that you:

a **discuss** the contents of this report with the Minister for Social Development and Employment/Minister for Child Poverty Reduction (Hon Louise Upston) on Tuesday 10 March;

b **note** the Social Investment Agency's comments on the proposed monitoring and evaluation plans for three Vote Social Development initiatives as set out in Annex 3;

Agenda Item 1 – Dame Karen Poutasi review

c **indicate** your broad support for this initiative;

d **discuss** funding options to present at Budget Ministers for projected increases in Reports of Concern for 2028/29 onwards:

   a. allocate full, ongoing funding;
   b. allocate funding in tagged contingency, subject to updated evidence of demand (*recommended*); or
   c. defer funding to Budget 2027, subject to updated evidence of demand;

e [34]

Agenda Item 2 – Savings shortfall from Jobseeker Support 18 and 19 year olds Budget 2025 initiative

f **agree** to reinstate funding of $48.6 million over the forecast period ($16.2 million per year) into two departmental appropriations in Vote Social Development that were reduced in September 2025 to meet a savings reduction for the Jobseeker Support 18 and 19 year olds initiative;

g **agree** to meet the cost of this reinstatement from income support savings being made through Budget 2026 (i.e. reducing the net savings from the welfare reform package).

JeRoux

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 – Dame Karen Poutasi review

Description of key issue	In September 2025, Cabinet agreed to accept all the recommendations of Dame Karen Poutasi to improve the children's system, [23] [SOU-25-MIN-0128 refers]. At Budget 2026, the Minister for Child Poverty Reduction seeks cross-agency funding for: • the initial roll-out of mandatory training for core children's workers about identifying and reporting abuse ($4.0m p.a.[1]); • Health NZ joining the Child Protection Protocol (the framework between Oranga Tamariki (OT) and Police for responding to reports of abuse) ($2.4m p.a.); and • Flow-on costs for OT to respond to a projected ~5% volume increase in Reports of Concern (ROCs; reports to OT of suspected abuse) [33] [2] Note, the Minister for Children has submitted a separate initiative for OT cost pressures to respond to existing ROC volumes. The first two components above implement two of Dame Karen Poutasi's key recommendations. OT expects these recommendations – and others being implemented from baselines – to increase projected ROCs. Most notable of these are mandatory training, a public awareness campaign, and automatic reporting about a child whose sole parent is incarcerated.
Treasury recommended talking points	**Indicate** your broad support for this initiative. **Discuss** funding options to present at Budget Ministers for projected increases in Reports of Concern for 2028/29 onwards: • allocate full, ongoing funding; • allocate funding in tagged contingency, subject to updated evidence of demand (*recommended*); or • defer funding to Budget 2027, subject to updated evidence of demand. [34]
Treasury advice	We support this initiative overall. It will begin the implementation of key recommendations by Dame Karen Poutasi to improve the children's system. However, we recommend you allocate funding with different phasing and funding sources than that proposed by the Minister for Child Poverty Reduction, as outlined below. [33]

[1] Figures are from Treasury's recommended option.
[33]

[33]

Any funding through the Dame Karen Poutasi response would be for additional, projected ROC increases. The Minister for Children has submitted a separate Budget 2026 initiative (Initiative 17127, Reports of Concern Volume Pressure), which seeks funding to meet existing demand pressures. The number of ROCs received each year is on an upward trend – ROCs increased by 44% in 2024/25 alone. We provided you advice about Initiative 17127 on 6 March [T2026/322 refers].

You have choices about how to manage funding for projected increases in ROCs, especially given inherent uncertainty in projecting demand. [34] ,

You could:

- allocate full, ongoing funding to meet projected demand;
- allocate funding in tagged contingency, subject to updated evidence of demand (*recommended*); or
- defer funding to Budget 2027, subject to updated evidence of demand.

You also have a choice about how to partly fund ***the initial roll-out of mandatory training*** ($4.0 million p.a.). This initiative has crossover with the workforce recommendations of the Royal Commission of Inquiry into Abuse in Care. We recommend that Cabinet agree to use contingency funding[3] for the training development and delivery element (~$1.9m p.a.) of the initial roll-out as part of the Budget package for the Dame Karen Poutasi Response.[4] We understand the Ministry of Social Development and the Crown Response Office have recommended this option to the Minister for Child Poverty Reduction and the Lead Coordination Minister for the Government's Response to the Royal Commission's Report into Historical Abuse in State Care and in the Care of Faith-based Institutions. We support this option as the preferred approach for funding this element, rather than funding it from Budget allowances.

[3] For the Ministry of Education from the "Making the Care System Safe - Building a Diverse, Capable and Safe Care Workforce" tagged contingency established at Budget 2025 [CAB-25-MIN-0126.72 refers].
[33]

Agenda Item 2 – Savings shortfall from Jobseeker Support 18 and 19 year olds Budget 2025 initiative

<table>
<tr><td>Description of key issue</td><td>
In Budget 2025, Cabinet agreed to tighten access to Jobseeker Support and Emergency Benefit for 18 and 19 year olds, generating savings of $163.7 million over the forecast period. Cabinet subsequently agreed in September 2025 to amend components of the policy (including the addition of a parental income test), which reduced the savings from the policy by $48.6 million over the forecast period.
Cabinet agreed at the time to meet this reduction in savings by reducing two departmental appropriations in Vote Social Development as shown in the table below, with Ministry of Social Development officials to provide options to achieve the savings as part of Budget 2026:
<table>
<tr><th>Reduction in appropriation ($m)</th><th>2026/27</th><th>2027/28</th><th>2028/29 & outyears</th><th>TOTAL</th></tr>
<tr><td>Improved Employment and Social Outcomes Support MCA</td><td>(12.157)</td><td>(12.156)</td><td>(12.156)</td><td>(36.469)</td></tr>
<tr><td>Community Support Services MCA</td><td>(4.052)</td><td>(4.052)</td><td>(4.052)</td><td>(12.156)</td></tr>
<tr><td>TOTAL</td><td>(16.209)</td><td>(16.208)</td><td>(16.208)</td><td>(48.625)</td></tr>
</table>
The Minister for Social Development and Employment proposed in her Budget 2026 submission letter to reinstate the funding in the two departmental appropriations above, funded by income support savings being made through Budget 2026. [33]
</td></tr>
<tr><td>Treasury recommended talking points</td><td>
Agree to reinstate funding of $48.6 million over the forecast period ($16.2 million per year) into two departmental appropriations in Vote Social Development that were reduced in September 2025 to meet a savings reduction for the Jobseeker Support 18 and 19 year olds initiative.
Agree to meet the cost of this reinstatement from income support savings being made through Budget 2026 (i.e. reducing the net savings from the welfare reform package).
</td></tr>
<tr><td>Treasury advice</td><td>
We support reinstating the funding in the two departmental appropriations in Vote Social Development, and meeting the costs from income support savings being made through Budget 2026.
When Ministers were considering amending the details of the Jobseeker Support 18 and 19 year olds initiative in September 2025, we recommended agreeing to offsetting savings at the same time. While work was underway on income support savings options for Budget 2026 at that point, it was too early for Ministers to agree to any of those savings options. Instead, Cabinet agreed to effectively “park” the savings reduction in two departmental appropriations in Vote Social Development, giving time for other savings options to be considered through Budget 2026.
In our view it is appropriate to use some of the welfare reform income support savings to make up the savings reductions from the
</td></tr>
</table>

	Jobseeker Support 18 and 19 year olds initiative, recognising that this would reduce the net savings from the welfare reform package. The alternative would be to ask the Ministry of Social Development to find savings of $16.2 million per year from within departmental baselines. We do not recommend this approach because the Ministry of Social Development is already delivering significant departmental savings: Budgets 2024 and 2025 included departmental savings of around $80 million per year, and the "Services for the Future" transformation programme will see further departmental savings that [33]

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

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. **Dame Karen Poutasi review**

2. **Savings shortfall from Jobseeker Support 18 and 19 year olds Budget 2025 initiative**

Agenda Item 1 – Dame Karen Poutasi review

Description of key issue	In September 2025, Cabinet agreed to accept all the recommendations of Dame Karen Poutasi to improve the children's system, [23] [SOU-25-MIN-0128 refers]. At Budget 2026, the Minister for Child Poverty Reduction seeks cross-agency funding for: • the initial roll-out of mandatory training for core children's workers about identifying and reporting abuse ($4.0m p.a.[5]); • Health NZ joining the Child Protection Protocol (the framework between Oranga Tamariki (OT) and Police for responding to reports of abuse) ($2.4m p.a.); and • Flow-on costs for OT to respond to a projected ~5% volume increase in Reports of Concern (ROCs; reports to OT of suspected abuse) [33] [6] Note, the Minister for Children has submitted a separate initiative for OT cost pressures to respond to existing ROC volumes. The first two components above implement two of Dame Karen Poutasi's key recommendations. OT expects these recommendations – and others being implemented from baselines – to increase projected ROCs. Most notable of these are mandatory training, a public awareness campaign, and automatic reporting about a child whose sole parent is incarcerated.

Agenda Item 2 – Savings shortfall from Jobseeker Support 18 and 19 year olds Budget 2025 initiative

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Cabinet agreed at the time to meet this reduction in savings by reducing two departmental appropriations in Vote Social Development as shown in the table below, with Ministry of Social Development officials to provide options to achieve the savings as part of Budget 2026:

Reduction in appropriation ($m)	**2026/27**	**2027/28**	**2028/29 & outyears**	**TOTAL**
Improved Employment and Social Outcomes Support MCA	(12.157)	(12.156)	(12.156)	(36.469)
Community Support Services MCA	(4.052)	(4.052)	(4.052)	(12.156)
TOTAL	**(16.209)**	**(16.208)**	**(16.208)**	**(48.625)**

The Minister for Social Development and Employment proposed in her Budget 2026 submission letter to reinstate the funding in the two departmental appropriations above, funded by income support savings being made through Budget 2026. [33]

Annex 3 – Social Investment Agency comments on proposed monitoring and evaluation plans of three Vote Social Development initiatives

The Social Investment Agency reviewed the proposed monitoring and evaluation plans for a range of initiatives in Budget 2026. Its comments on three Vote Social Development initiatives are set out below.

Dame Karen Poutasi Response – Strengthening the Safety Nets to Identify and Respond to Children at Risk of Harm

Initiative ID 17202, currently included in the Budget 2026 package with an annual average cost of $25 million

Social Investment Agency comments:

This initiative seeks cross-agency funding to implement key recommendations from the Dame Karen Poutasi report to strengthen identification and response to children at risk of harm.

This is a complex programme. The programme evaluation will need to be well-designed to avoid generating a series of siloed intervention-level evaluations. A full evaluation plan is in development, and MSD are willing to involve SIA in how they monitor and evaluate across this broader programme. SIA welcomes the opportunity to support this work.

The outcomes for the cohort of children that are the focus of some of this investment (ie, children of single parents who are incarcerated) can be monitored using the IDI. We look forward to this being a focus for monitoring of the impact of change across agencies.

Invest in employment support for sole parents to reduce welfare costs and material hardship for children

Initiative ID 17206, currently included in the Budget 2026 package with net annual average savings of $24 million

Social Investment Agency comments:

SIA notes that MSD has a well-established track record of regularly assessing the effectiveness of their employment assistance expenditure (https://www.msd.govt.nz/about-msd-and-our-work/publications-resources/research/effectiveness-employment-assistance/index.html).

We are satisfied with MSD's monitoring and evaluation approach for this initiative and confident that the Ministry will deliver. [33]

Emergency Housing – Extending scaled-down support services

Initiative ID 17208, currently included in the Budget 2026 package with net annual average savings of $4 million

Social Investment Agency comments:

SIA has observed that the size and composition of the emergency housing (EH) cohort has changed substantially since Budget 2024, and what we are seeing is a narrowing population focused on high and complex needs. [33]

The size and composition of the EH population has changed over the past few years. While the EH population is smaller, they now consist of a greater proportion of clients with high and complex needs. [33]

[33]