The Treasury

Budget 2026 Information Release

September 2026

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[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 Package Advice – Week Commencing 16 March

Date:	16 March 2026	**Report No:**	T2026/479
		File Number:	BM-2-4-2026-M134796

Action sought

	Action sought	Deadline
Hon Nicola Willis **Minister of Finance**	**Indicate** your decisions on individual initiatives in Annex 1 **Sign** the attached letters at Annex 2 **Provide** feedback on draft Budget Ministers 2 slides at Annex 5	20 March 2026

Contact for telephone discussion (if required)

Name	Position	Telephone		1st Contact
Tan Lakhawala	Analyst, Budget	[39]	N/A (mob)	✓
Stephen Bond	Manager, Budget		N/A (mob)	

Minister's Office actions (if required)

Return the signed report to Treasury.

Note any feedback on the quality of the report	

Enclosure: Yes (attached)

Treasury Report: Budget 2026 Package Advice – Week Commencing 16 March

Purpose of Report

1. This report updates you on several elements of the emerging Budget package, following your feedback on the current draft package [T2026/458 refers] and seeks your decisions on any package changes that you would like reflected at this stage.

2. The annexes attached to this report are:

   a **Annex 1:** Advice on initiatives seeking your steer on the treatment of these initiatives in the draft package for Budget Ministers 2;

   b **Annex 2:** Draft response to Hon Bishop on his request for an invitation into Budget 2026 for two late initiatives in vote Transport;

   c **Annex 3:** You have requested advice on fees, levies, and duties due to increase in the next 12 months. These have been attached as Annex 3 to the report;

   d **Annex 4:** We have also provided you with one pager for the Votes that we are recommending that you agree at Budget Ministers 2; and

   e **Annex 5**: Draft Budget Ministers 2 slide pack for your feedback.

3. You have also received the following other pieces of Budget related advice this week:

Table 1: Treasury Advice Week Commencing 16 March

Title	**Description**
Capital Pipeline for Budgets 2027-2029 [T2026/471]	Seeks indicative decisions on capital allowances for Budgets 2027-2029 and presents a forward work programme to help you continue to take a medium-term approach to managing the pipeline.
Fiscal strategy update [T2026/433]	Provides an update on progress towards achieving your fiscal strategy goals, potential implications of the Middle East conflict on your fiscal strategy, and seeks indicative decisions on your short-term intentions and operating allowances for Budgets 2026-2029.
Assessment of Budget 2026 and Baseline Submissions for the Offices of Parliament and Parliamentary Agencies [T2026/528]	This report informs you of the Treasury's advice to the Officers of Parliament Committee regarding Budget 2026 and other baseline submissions by the Offices of Parliament and Parliamentary agencies.
Health NZ 2026-27 Budget and Budget 2026 Vote Health Package [H2026080048]	The Ministry of Health have provided advice in response to your commission from the Health bilateral. We have provided a cover email to your office to focus your review based on where key decisions are needed. Ahead of your next meeting with Hon Brown on 1 April, we will provide further advice to support you to finalise the Health Budget package.
Briefings for your Budget Bilateral meetings in the week commencing 23 March: • Hon Seymour portfolios (Associate Education and Health) [T2026/542] • Tertiary Education [T2026/324] • Housing and RM Reform [T2026/484]	

Current state of the Budget 2026 package

4. Following your decisions in T2026/458 the current operating package is around $0.1 billion below the allowance as represented in Table 2 below. This does not include the cost of the 12-month increase to the In-Work Tax Credit that Cabinet is considering on Monday – it's impact on the allowance will depend on how you decide to manage the fiscal cost.

5. The current capital package is over the current allowance by $3.6 billion total. The capital package continues to include indicative [33] [33] .

Table 2: Current package

Timing	Savings	Spending (inc. precommitments)	Package	Position against allowance
Current package **(Week commencing 16 March)**	$1.2 b operating	$3.5 b operating	$2.3 b operating	**$0.1b under**
	$1.2 b total capital	$8.3 b total capital	$7.1 b total capital	**$3.6b over**

Key considerations for the Budget package in light of the Middle East response

6. You are receiving a range of advice on the economic response to the Middle East conflict, and considering some temporary, targeted, and timely cost of living measures (such as the temporary increase to the in-work tax credit). Last week, we updated you on how the Budget and forecasting process would flex in response to uncertainty.

7. At this stage we do not think that the Government's response to the conflict necessitates a change to most of the Budget package. The majority of the package is focussed on existing commitments (such as the Defence Capability Plan) and core cost pressures. These packages are reasonably settled, and we do not foresee a case for revisiting those elements of the package now.

8. There are still some significant elements of the package with optionality, should the Budget need to adapt to changing circumstances over the next few weeks. In particular:

   a There are still significant **savings** and **revenue** opportunities that could be scaled up if needed to fund additional measures or substitute for other savings in the package. This includes ending final years fees free (up to $300m), an Australian-style bank tax [34] and a range of smaller options.

   b There are some large discretionary spending items in the package that could be removed or scaled down. In particular the council incentives for housing development initiative ($173m) is currently the largest single initiative in the Budget package, and has credible options to scale down significantly.

9. As well as these areas of optionality, there remain some areas of downside risk to the package. These include Foreign Affairs (where the package does not yet reflect any further spending above that which you proposed at the Foreign Affairs bilateral), and any Crown funding required if the 12c/litre increase to Fuel Excise due in January 2027 is deferred.

Update on Vote Transport following the bilateral meeting on 16 March

10. Following your Budget bilateral with the Minister of Transport, [33]

11. Since that meeting, Treasury has worked with the Ministry of Transport and NZTA to articulate what activities are within NZTA's scenarios, [33]

. We are expecting to receive this information from NZTA on 20 March 2026. We intend to provide you with substantive advice on this in the week of 23 March.

12. In the meeting, Minister Bishop also noted that NZTA requires Ministerial direction that approximately [33] sought from the capital allowance will be provided by the Crown to enable progression of Cambridge-Piarere to procurement before by 1 April. We have since received information to suggest that there is flexibility within this timeline to enable Ministers to make decisions at/around BM3 on 9 April and still meet the construction window later this year. This additional time would allow time to scrutinise the base case further and make decisions on the capital allowance (and associated trade-offs) first. We will provide more advice on this next week.

Approach to Budget 2026 Cabinet Paper

13. You are taking the Budget 2026 package to Cabinet for agreement on Tuesday 28 April. We will be working closely with your office to develop the overall narrative from next week. Table 3 below sets out our current timeline for iterating the Cabinet paper.

Table 3: Timeline for engagement on the Budget 2026 Cabinet Paper

Date	Action
Early April – Mid April	We will work with your office on a draft Cabinet paper
Thursday 9 April	Budget Ministers 3
Friday 17 April	Draft paper provided to Minister of Finance for feedback
Monday 20 April	Discuss near-final draft Cabinet paper at Fiscal Matters
Tuesday 21 April – Thursday 23 April	Finalise Cabinet paper with your office
Friday 24 April	Lodge Budget Cabinet Paper (late lodgement)

14. Due to your travel for IMF Spring, we propose to provide you with a near-final draft version to review on Friday 17 April. If you would prefer to receive an earlier draft version of the Cabinet paper to review, we could provide you with a draft on Friday 10 April, but it would be a less complete version.

Update on Workforce Implications of the package

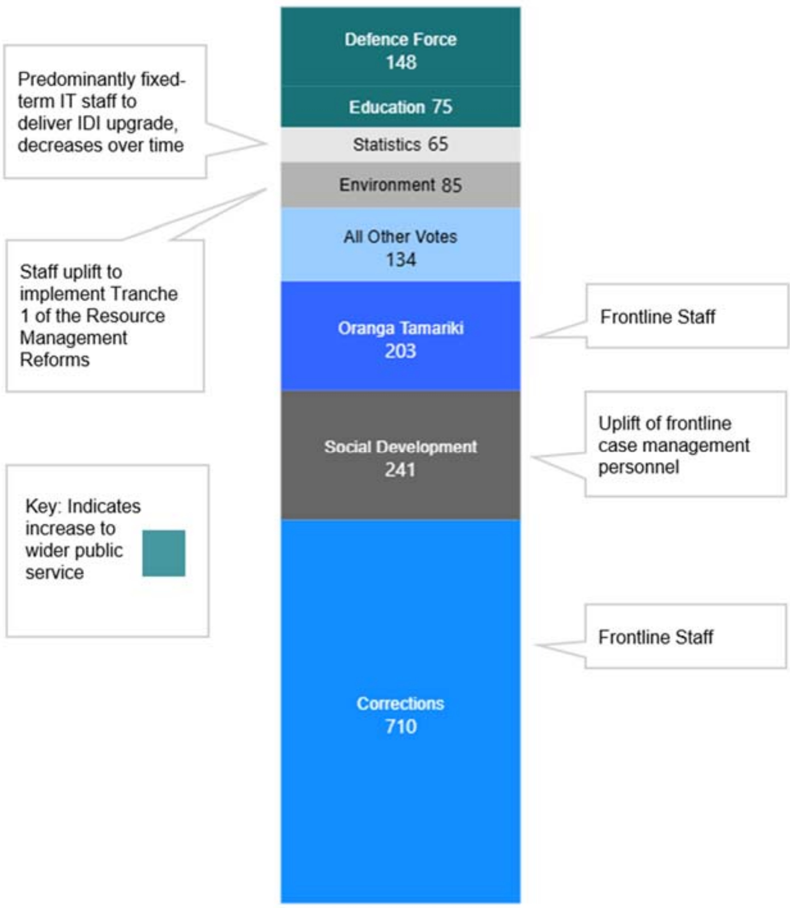
15. This section provides you with an updated overview of the workforce impacts of the draft Budget 2026 package that is being presented at Budget Ministers 2. The Budget is only one part of the picture and does not reflect changes in FTE resulting from agencies managing cost pressures within their baselines, which are likely to significantly offset any increases in FTE generated by the Budget process.

16. Based on the data provided by agencies, the current Budget 2026 package is expected to result in a net average increase of 1,493 in the public service[1], and a further 233 in the wider public sector[2].

17. There workforce impacts are largely consistent with the first update we provided you on 13 February, with marginal changes that reflect package decisions (e.g., as the updated submission [33] [33]) and some decreases due to more clarity on FTE reductions as a result of Baseline savings. There is still limited clarity around the FTE impact of baseline savings from Ministry of Business, Innovation and Employment which could result in approximate reduction of 50-100 FTE (based on PSC's rough rule of thumb that of $100m = 1,000 staff).

18. Figure 1 below outlines the net increase in the FTE by Votes.

Diagram 1: Net FTE increase by Votes (four-year average)



[1] Defined as the core departments, agencies, and crown agents (listed in Schedule 2 of the Public Service Act 2020) that support the government to implement policies and deliver services to New Zealanders.

[2] Defined as all government-controlled or funded organisations that extend beyond the core "Public Service" (departments and departmental agencies).

19. Most of the FTE increases generated by Budget initiatives reflects increases in frontline staff in Corrections and Oranga Tamariki, on which you have received advice. We think there is limited scope within current policy settings to reduce these.

20. If you do want to mitigate some of the FTE impact of the Budget package, particularly in light of the likely FTE commitments in the Public Service Transformation Cabinet Paper, then the key areas of FTE growth in the current package are set out below.

Table 4: Key areas of FTE growth in the Budget package outside OT and Corrections

Initiative	***FTE (4-year average)***	***Status***
Environment - Resource Management reforms Implementation	87 FTE	You have a bilateral meeting on Housing and RM reforms on 24 March. You could discuss further scaling or excluding this initiative to reduce the number of FTE.
Stats NZ – Modernise the Integrated Data Infrastructure	69 FTE	This is predominantly **fixed term** IT staff to deliver the improvements.
Invest to save initiatives in MSD and Inland Revenue	238 FTE	These are FTE associated with invest to save initiatives in the welfare reform package, and debt compliance activities. These generate net fiscal savings. Removing them from the package would create pressure on the allowance. You have asked IR to consider whether it could expand compliance activities with a smaller FTE impact.

Other matters

ACC Public Health Acute Services payment increase - impact on the upcoming Economic and Fiscal Update

21. At Fiscal Matters on Wednesday 11 March, you requested further information on ACC's Public Health Acute Services (PHAS) payment to the Crown via the Ministry of Health.

22. The Minister for ACC enters into an annual agreement with the Minister of Health for the purchase of these services on behalf of ACC. At the direction of Minister Brown, the Ministry of Health is updating volume assumptions for the agreement based on 2023/24 actuals and unit cost, and further cost pressure uplifts.

23. ACC and MoH are still engaged in discussion on methodology, and no final number has been reached yet, but this may result in a significant increase to the PHAS payment from ACC to the Crown for 26/27 and onwards. MoH's most recent estimate of the 26/27 number ($1,635m, $581m more than the 25/26 payment) constitutes an approximately 55% year-on-year increase. We note that ACC has raised objections to this number and it may change.

24. ACC funds two-thirds (63%) of its PHAS contribution through the Non-Earners' Account, which is funded by a non-departmental appropriation and is already in deficit. There is no agreed-on mechanism to mitigate the impact of PHAS changes to the Account and funding uplifts are capped at 7.5% per annum (unless Ministers agree otherwise).

25. A large increase in PHAS will place additional pressure on the current and future funding position of the Non-Earners' Account, increasing the risk that funding uplifts beyond the cap are needed in future. The remaining 37% of PHAS is paid out of levied accounts, so a large increase would create upward pressure on levies at next year's levy round. While OBEGAL-neutral, any increase to ACC's PHAS payment to the Crown would increase core Crown revenue which will have a positive impact on OBEGALx.

26. The 26/27 PHAS contribution will be finalised by agreement between the Minister of Health and Minister for ACC. This is currently scheduled after the Budget Moratorium ends on 28 May. Depending on the progress of the work around PHAS calculations and if the relevant Ministers indicate their comfort in writing with the proposed changes prior to Budget moratorium on April 28th, the final number could be included within the BEFU forecasts. If not captured by BEFU, the final PHAS number will be reflected at PREFU.

Further information on Vote Oranga Tamariki volume cost pressure initiatives

27. At Fiscal Matters on Monday 16 March, we discussed the Oranga Tamariki (OT) cost pressure bids and concerns that there may not be sufficient incentives for the agency to deliver services more efficiently.

28. Overall, OT will still face significant fiscal pressures to improve its operating model. Beyond its submitted volume pressures, OT still faces top-down fiscal pressure given they will have to manage other cost pressures without Budget funding, including remuneration, NGO price, and KiwiSaver pressures.

29. [33]

30. The Social Investment Agency (SIA) has reviewed both of these initiatives. In particular, SIA identified that if the Reports of Concern volume pressure initiative is funded, OT should prioritise developing an evidence-based, programme-level theory of change to understand how this new approach will shift the dial for this vulnerable group of children, as well as a robust measurement and evaluation plan. The SIA's involvement will help to ensure OT is continuing to identify opportunities for improvement, and ensuring their service delivery is underpinned by a clear theory of change. You will receive further advice about this (and other initiatives SIA has reviewed) next week.

[37]

31. At your Law and Order multilateral on Thursday 12 March you agreed with Justice sector ministers that [37]

32.

33.

34.

35.

SuperGold Card Initiative

36. You have agreed to proceed with the full funding option for the SuperGold Card initiative (Initiative ID 17247). At the 10 March Welfare bilateral, you requested Minister Upston and her officials to identify potential options to reduce costs within the SuperGold Card initiative. Ministry of Social Development (MSD) officials have now reviewed the costs for this initiative and have informed us that they consider the costings are already low as possible, with no clear opportunities to reduce costs further at this point in time. They consider that reducing costs further may risk deliverability of other priorities within the Social Development portfolio.

37. We can work with MSD to explore further options or revisit any assumptions if needed. For example, MSD acknowledged the 80% take-up assumption is relatively high, but reflects a cautious approach given limited evidence, to avoid cost pressures if uptake exceeds expectations. In addition, MSD have informed us that they will review FTE funding across the wider Budget 2026 Welfare Reform package to identify any potential efficiencies once the Ministers confirm the preferred package.

Late invite requests in Vote Transport

38. The Minister of Transport has submitted two late Budget 2026 bids within Vote Transport, totalling $3.1 million and fully offset by underspends: $0.6 million for Membership of International Organisations and $2.5 million to progress stewardship of underground assets in infrastructure corridors.

39. The international organisations bid addresses a genuine cost pressure arising from exchange-rate movements and seeks to stabilise funding for existing international obligations within Vote Transport.

40. The underground assets bid is a new spending request and responds to evidence from an independent review commissioned by the Minister for Infrastructure, which identified material and ongoing costs (over $200 million per year) to industry from poor coordination of works and weak records of underground assets, and found current regulatory settings rely heavily on voluntary compliance with limited enforcement or transparency. We recommend that both bids be invited for assessment, as they are fiscally neutral, address distinct and well-evidenced issues, and fund necessary work to maintain existing commitments and inform Ministers on whether further regulatory or system changes are required.

41. If you agree to invite these two bids, we have attached a letter for you to sign and to be shared with the Minister of Transport in Annex 2 below.

Recommended actions

We recommend that you:

a **indicate** your decisions in Annex 1;

b **agree** to invite the two new initiatives *Membership of International Organisations* and *Stewardship of underground assets in infrastructure corridors* requested by the Minister of Transport;

Agree / Disagree

c **sign** the draft letter to the Minister of Transport in Annex 2, if you agree with recommendation b;

d [37]

e **provide** feedback on the draft Budget Ministers 2 slides at Annex 5.

Stephen Bond
Manager, Budget

Hon Nicola Willis
Minister of Finance

_____/_____/_______

Annex 1: Individual initiatives for decisions

Vote Police – Police Property Upgrade Programme Phase 1a

<table>
<tr><td>Vote</td><td>Police</td></tr>
<tr><td>Initiative ID</td><td>17101</td></tr>
<tr><td>Initiative Title</td><td>Police Property Upgrade Programme Phase 1a</td></tr>
<tr><td>Contact details</td><td>
<table>
<tr><td>Michael Lonergan</td><td>Senior Analyst</td><td>[35]</td></tr>
<tr><td>Shelley Robertson</td><td>Manager</td><td></td></tr>
</table>
</td></tr>
<tr><td>Issue/ advice sought</td><td>This initiative seeks funding for investment in [33] property projects as Phase 1a of the Police Property Upgrade Programme. It was not prioritised by Law and Order Ministers within their revised sector envelope submission and therefore is not currently included in the draft package. At the 12 March Law and Order multilateral meeting, you requested further advice on options to fund one or two projects.</td></tr>
<tr><td>Treasury advice</td><td>
Police identified two priority projects within Phase 1a, due to the condition of the current properties, impacts on Police operations, and readiness to deliver. We agree that Greymouth is the highest priority property within Phase 1a of the Police Property Upgrade Programme, and consider this represents a relatively small amount of funding for large operational benefits. Whanganui station by comparison has higher capital costs [33] however, it is more delivery-ready due to work done to date, and the procurement process could begin sooner.
1. Greymouth Police Station and Custody Facility: [38]
Severe mould and weathertightness issues have resulted in the current building being uninhabitable. Police staff have been decanted to temporary accommodation with split teams impacting deployment and operational efficiency. [33], [38]
2. Whanganui Police Station: [38]
The existing station is overcrowded and unable to accommodate current demand. There are health and safety risks because detention standards are not met, and weathertightness issues make it non-compliant with the building code. [33], [38]
The Property Programme is a key component of the Police Long Term Investment Plan which was presented to Infrastructure and Investment Ministers in December 2025. The Programme Business Case was endorsed by Cabinet in February 2026. The Detailed Business Case for Phase 1a is due to be considered by Cabinet Expenditure and Regulatory Review Committee at its meeting on 24 March.
</td></tr>
<tr><td>Treasury recommendation</td><td>
Indicate if you wish to:

Option A: make no change and leave the initiative out of the current package: Yes/No
Option B: provide funding for Greymouth station: Yes/No
Option C: provide funding for both Greymouth and Whanganui station: Yes/No

<table>
<tr><th rowspan="2">Option</th><th rowspan="2">ID</th><th colspan="6">Operating ($m)</th><th rowspan="2">Total Capital ($m)</th></tr>
<tr><th>25/26</th><th>26/27</th><th>27/28</th><th>28/29</th><th>29/30</th><th>Total</th></tr>
<tr><td>Current status in package</td><td>17101</td><td>-</td><td>-</td><td>-</td><td>-</td><td>-</td><td>-</td><td>-</td></tr>
<tr><td>Option A – Greymouth station</td><td>17101</td><td></td><td colspan="6">[38]</td></tr>
<tr><td>Option B – Greymouth station and Whanganui station</td><td>17101</td><td></td><td colspan="6"></td></tr>
</table>
</td></tr>
<tr><td>Referral to other Ministers</td><td>
Refer this to the Minister of Police: Yes/No
Refer this annex to the Minister for Infrastructure: Yes/ No
</td></tr>
</table>

Vote Justice – Firearms Reform – Implementing the new Arms Act and establishing Firearms Safety New Zealand

Vote	Justice
Initiative ID	17061
Initiative Title	Firearms Reform – Implementing the new Arms Act and establishing Firearms Safety New Zealand
Contact details	Emily McCarthy — Analyst — [39] Shelley Robertson — Manager
Issue/ advice sought	At the Law and Order multilateral meeting on 12 March, you asked the Treasury to follow up with further advice on the firearms initiative, including the ICT investment component.
Treasury advice	***The Treasury recommends scaled funding for regulatory regime and organisational form change*** In our previous advice we recommend supporting $5 million per annum of operating funding over the forecast period to meet direct, marginal costs associated with the regulatory regime and organisational form change components of this initiative. This has been scaled down from the total $36.8 million sought for these components of the initiative, imposing top-down restraint to improve the robustness of costings, encourage agencies to manage non-marginal costs within baselines, and ensure critical cost pressures are prioritised above discretionary spending in the Law and Order envelope. ***We recommend deferring the ICT investment funding decision*** This initiative also seeks [38] over the forecast period to improve the efficiency, accessibility, and functionality of the ICT platform underpinning the firearms regulatory regime. The Ministry of Justice had proposed to reduce the new funding requirement through existing sources ($28 million in Vote Police that is ringfenced for delivery of a related business case) and [33], [38] in total personnel savings over the forecast period resulting from reduced manual processing. The net total impact on operating allowances over the forecast period would be [38] , with net savings expected in outyears. While we acknowledge there is a case for this investment, we recommend deferral given the planned timing of delivery and deliverability concerns: • **Timing of delivery:** Even if Budget 2026 funding is provided, delivery of the new Arms System and digitisation programme is planned to take place from October 2027 to March 2029. • **Deliverability concerns:** In the year ahead, the entity that will replace the Firearms Safety Authority (FSA) is expected to be dealing with a cyclic peak in firearms licensing applications, changing organisational form, bedding in a new regulatory regime, and updating fees and initiating a broader fees review. Deferral to a future Budget will allow time for the organisational and regulatory regime changes to bed in and the business case to be further refined, informed by the new structural arrangements and regulatory regime. ***If funding is not provided, a decision is needed on existing funding for a related business case*** If you agree that funding for the ICT investment should be deferred, a decision is needed on how to handle the $28 million ringfenced in the Vote Police baseline for delivery of an outstanding component of a related business case. The outstanding component of that business case would make changes to the firearms registry and implement digital workflow management, both deliverables that are proposed to be achieved through the expanded ICT investment included in this initiative. We recommend transferring this funding to a tagged contingency, to offset the cost of the ICT investment when it is agreed in the future. The Treasury would work with agencies to establish drawdown conditions for agreement through the Budget Cabinet paper. Alternatively, you could ask for this funding to be returned as savings, or allow it to remain in the Vote Police baseline, ringfenced for conditional expenditure on the ICT investment.
Treasury recommend ation	**Indicate** if you wish to: • **Option A:** Exclude this initiative from the package *Yes / No* • **Option B (current status in package and recommended):** Provide $5 million annual average operating funding for the organisational form and regulatory regime change components of this initiative and defer the ICT component *Yes / No*

- **Option C:** Provide $5 million annual average operating funding for the organisational form and regulatory regime change components of this initiative and support the ICT component [38] over the forecast period) *Yes / No*
- **Option D:** Support the initiative in full at the agency-submitted level *Yes / No*

Option	***ID***	***Operating ($m)***						***Total Capital ($m)***
		25/26	***26/27***	***27/28***	***28/29***	***29/30***	***Total***	
A – exclude from package	17061	-	-	-	-	-	-	-
B – scale and defer ICT	17061	-	5.0	5.0	5.0	5.0	20.0	-
C – scale and fund ICT	17061	-	[38]					-
D – support in full	17061	-						-

If you choose to defer the ICT investment (option A or B), **indicate** your preference for the $28 million currently ringfenced in Vote Police:

- transfer it to a tagged contingency (recommended) *Yes / No*
- take it as a saving *Yes / No*
- leave it in appropriations, ringfenced for conditional expenditure on the ICT investment *Yes / No*
- receive further advice on these options *Yes / No*

Referral to other Ministers	**Refer** this annex to the Associate Minister of Justice and Minister of Police *Yes / No*

Vote Finance – Fiscal Management of Indicative Proceeds from sale of Chorus securities

<table>
<tr><td>Initiative Title</td><td>Fiscal Management of Indicative Proceeds from sale of Chorus securities</td></tr>
<tr><td>Contact details</td><td><table><tr><td>Tan Lakhawala</td><td>Analyst, Budget</td><td>[39]</td></tr><tr><td>Stephen Bond</td><td>Manager, Budget</td><td></td></tr></table></td></tr>
<tr><td>Issue/advice sought</td><td>You are currently considering selling the Ultra-Fast Broadband (UFB) Chorus securities which originally formed the Crown's contribution in funding the UFB national network project. The Treasury will provide final advice seeking decisions on whether the sale is to proceed in late March. This annex seeks decisions on how you want to manage the proceeds and foregone revenue.</td></tr>
<tr><td>Treasury advice</td><td>The sale of the securities would have the following fiscal impacts:

Capital: proceeds of [37] (these are estimated figures and the actual amount will depend on market appetite, movements in interest rates, or any Chorus specific events). This is currently reflected as a savings item within the Budget 2026 capital allowance. There are also some legal and transaction costs associated with the sale of approximately [37] which will be netted off from any proceeds received from the sale.
Operating: this is a combination of lost operating revenue of [37] , offset by lower finance costs if the capital proceeds mean that the Crown has to issue less debt [37] based on the preliminary fiscal forecasts).

Management of the proceeds
In the current package, we have allocated the indicative proceeds against the capital allowance. This means that the size of the net capital package reflects the impact of all capital decisions on net core crown debt. Since the capital allowance is not a binding constraint and you are likely to deliver a package above $3.5 billion, the proceeds simply mean that the net capital package will be lower than if the sales did not take place (and less debt needs to be issued as a result).

The decision on how to manage the lost operating revenue is more nuanced. There are two options:

Option A: manage lost operating revenue against the operating allowance. This is consistent with the general fiscal management approach that when a decision impacts key fiscal indicators, the impact should be charged against allowances. It would also ensure no negative OBEGALx impact, although it would put pressure on the operating package.
Option B: flow the lower revenue through to the fiscal indicators. This is consistent with how second round impacts on other financial asset transaction have been treated previously (including positive changes). For example, capital provided to agencies from the capital allowance (such as NZ Green Investment Fund, Ngāpuhi Investment Fund) that were expected to result in an increase in investment revenue have not been managed against the Budget operating allowance. This is consistent with the approach that was taken with the initial Chorus investment.

While the impacts in this case are small, it may set a precedent for any potential future balance sheet measures where the operating impact could be higher.

We recommend option B. This is consistent with how we consider the second-round impacts when financial assets are increased from the allocation of capital allowances, and consistent with the treatment of the initial investment. However, if there is a significant asset sale programme in the future which could have a material impact on allowances or the fiscal indicators, we recommend further consideration of how any associated operating costs are managed (which could include considering the level of operating allowances, and how the gross capital proceeds are spent) based on the circumstances surrounding those particular sales.

Previous practice
In 2011-13 proceeds from selling shares in the mixed ownership model companies were used to fund the Future Investment Fund, and capital allowances were set at zero. The impact of lost core Crown operating revenue (through lower dividends) was not managed against Budget allowances,</td></tr>
<tr><td>Treasury recommendation</td><td>Indicate your preference for treatment of lost revenue [37]):

Option A: Manage the lost revenue against the Budget 2026 operating allowance Yes/No
Option B (recommended): Let the impact of lost revenue flow through to OBEGALx Yes/No
</td></tr>
<tr><td>Referral to other Ministers</td><td>Refer this annex to the Minister for Infrastructure Yes/No</td></tr>
</table>

[33]

[33]

[33]

[33]

Vote Justice – Law and order – Critical infrastructure for growth: New Waitākere and Rotorua Courts

Vote	Justice
Initiative ID	17352
Initiative Title	Law and order – Critical infrastructure for growth: New Waitākere and Rotorua Courts
Contact details	Emily McCarthy – Analyst Shelley Robertson – Manager [39]
Issue/ advice sought	At the Law and Order multilateral meeting on 12 March, you invited the Ministry of Justice (MoJ) to submit a scaled version of its unsubmitted courthouses initiative with the capital contribution through Budget 2026 capped at $100 million. We have reflected $100m capital as a placeholder in the current package.
Treasury advice	MoJ has submitted an option for delivery of the Rotorua High Court and District Court (the Law Court) and Rotorua Māori Land Court (MLC). The submitted option seeks a $100 million capital contribution, with MoJ proposing to spend [38] from its future balance sheet to cover the remaining capital construction costs. MoJ's balance sheet contribution would start in 2029/30 and is based on its forecast balance sheet position (e.g. this does not represent cash that MoJ has on hand). Taken together, this balance sheet and Budget funding would cover the [38] capital cost of the MLC and [38] capital cost of the Law Court. MoJ is confident the balance sheet spend can be incurred without eroding capital reserves to an unacceptable level or requiring current levels of property maintenance across its portfolio to be reduced. MoJ did not submit an option with total costs capped at $100 million (regardless of funding source). It considers this amount to be too low to deliver courthouses that meet the functional requirements specified in the October 2024 Detailed Business Case. MoJ is also seeking annual average operating funding of $1.6 million, and to cover the remaining [38] through reprioritisation. MoJ considers that delivery will be difficult if operating funding is not provided given the quantum of reprioritisation required to meet volume- and price driven cost pressures. ***We agree that there is a case for investment, and that the investment is delivery ready*** As outlined in MoJ's Cabinet-approved Detailed Business Case, there is a strong case to invest in these courts. They lack capacity to meet growing demand and present significant health, safety, and security risks. The Rotorua courts would be delivered as a Design and Construct project. MoJ's advice has been that removing Waitākere District Court from the bundle means that a PPP is no longer market-feasible. MoJ owns the land where the new courts will be built, which has been designated for the projects. If funded, procurement is expected to start on 1 July 2026 and initial site work by December (demolition of buildings currently on the Law Court site). The Law Court is expected to be in service from 1 October 2030 and the MLC from 1 October 2033. ***MoJ's view is that the Rotorua Law Court should be prioritised over the Waitākere District Court*** This is because the Rotorua Law Court is the worst condition asset in MoJ's property portfolio that is not already being remediated. We support this prioritisation decision. Weathertightness issues at the Rotorua Law Court have led to unscheduled adjournments and a recent security assessment identified 11 security risks that exceed MoJ's tolerance. As well as presenting safety and security risks to court users, these issues could compromise court timeliness, which increases costs in other parts of the justice system. MoJ would continue to work with the Waitākere building owner and manager (this court is currently in a leased space) to address weather-tightness issues and intends to seek Budget funding in future years for a new courthouse. MoJ would approach contracting for the Rotorua courts in a way that allows for the possibility of adding the Waitākere courthouse to the contract if funding becomes available down track. We understand that MoJ considers its in-house capacity to be adequate for delivery of this project. It intends to seek an exemption from the Cabinet-mandated requirement to partner with Crown Instructure Delivery (CID), which we would likely support. Therefore, MoJ has not factored CID costs into its submitted option. If an exemption is not granted it considers more funding will be required given CID operates on a cost recovery basis.

<table>
<tr>
<td>Treasury recommendation</td>
<td>
Indicate if you wish to:

Option A: Exclude the initiative from the current package Yes / No
Option B (recommended): Provide $100 million capital and $1.6 million annual average operating funding for Rotorua High Court and District Court and Rotorua Māori Land Court, with the residual funding requirement to be met from MoJ’s balance sheet and baselines Yes / No
Option C: Provide $100 million capex and no operating funding for Rotorua High Court and District Court and Rotorua Māori Land Court, with the residual funding requirement to be met from MoJ’s balance sheet and baselines Yes / No

<table>
<tr><th rowspan="2">Option</th><th rowspan="2">ID</th><th colspan="6">Operating ($m)</th><th rowspan="2">Total Capital ($m)</th></tr>
<tr><th>25/26</th><th>26/27</th><th>27/28</th><th>28/29</th><th>29/30</th><th>Total</th></tr>
<tr><td>A – exclude from package</td><td>17352</td><td>-</td><td>-</td><td>-</td><td>-</td><td>-</td><td>-</td><td>-</td></tr>
<tr><td>B – partial funding with opex</td><td>17352</td><td>-</td><td>-</td><td>0.2</td><td>1.4</td><td>4.9</td><td>6.5</td><td>100</td></tr>
<tr><td>C – partial funding without opex [currently reflected in the package]</td><td>17352</td><td>-</td><td>-</td><td>-</td><td>-</td><td>-</td><td>-</td><td>100</td></tr>
</table>
</td>
</tr>
<tr>
<td>Referral to other Ministers</td>
<td>Refer this annex to the Minister for Instructure Yes / No</td>
</tr>
</table>

Vote BSI (Energy) – Energy portfolio reprioritisation

Vote	Business, Science and Innovation (Energy)
Initiative ID	17512
Initiative Title	Energy portfolio reprioritisation
Contact details	Caleb Hewson – Analyst – [39] Kate Williamson – Unit Manager
Issue/ advice sought	The Minister for Energy has written to you to seek your support for reprioritising funding and underspends within the Energy portfolio to fund a combination of new and existing programmes. We are seeking your views on these reprioritisation decisions to inform Budget 2026 decisions.
Treasury advice	The Minister for Energy has identified a total of $99.4m in reprioritisation opportunities over the forecast period: • Energy Efficiency & Conservation Authority (EECA) cash reserves ($12m total capital) • Warmer Kiwi Homes administration cost forecast underspends ($8.5m total operating) • Government Investment in Decarbonising Industry (GIDI) fund forecast underspends ($54.5m total operating) • Closure of the Ara Ake energy innovation centre ($24.4m total operating) The Minister's proposal would re-allocate funding towards: [33] and [37] • Providing support for the proposed Gas Transition Loan Guarantee Scheme ($5.9m total operating) • Investing $20m (total operating) in the Community Renewable Energy Fund (CREF) to improve energy resilience through support for solar and battery systems on community sites • Transitioning Are Ake functions to EECA ($3m total operating) We recommend that underspends for Government Investment in Decarbonising Industry fund and Warmer Kiwi Homes (totalling $63m) should be <u>returned to the centre</u>, as: • Cabinet agreed to close the GIDI fund in the 2023 mini-Budget with all unallocated funding returned to the centre. Funding that was committed through pre-existing contracts remained in appropriations. If this funding is no longer required to meet contractual obligations, we recommend it returns to the centre. [33] As EECA cash reserves ($12m) would not result in operating savings and it is not clear the reserves are required, we recommend this returns to the centre. We support proposals to reprioritise Ara Ake funding towards higher priority activities within the Energy portfolio. We recommend that these are reprioritised (in order of priority) towards: 1. EECA to continue some of Ara Ake's energy innovation programmes, 2. [37] , and 3. EECA support for the gas transition loan guarantee scheme – this is consistent with the Treasury's previous advice that there are benefits in EECA taking a role to support gas users, but this should be funded via reprioritisation. We have limited information to assess the marginal value of providing CREF grant funding to provide support for solar and battery systems on community sites and therefore rank this as the least preferable remaining option. Funding this would reduce the total savings returning to the centre to around $65.4m. However, based on [33] [33] .

Treasury recommendation	**Indicate** your preferred option for savings and reprioritisation: **Option A** (recommended) - $73.5m operating and $12m capital returned to the allowances, and $13.9m reprioritised towards the following programmes: • Transferring Are Ake activity to EECA ($3m total operating) [33] • EECA support for Loan Guarantee for gas transition ($5.9m total operating) *Yes/No* **Option B** - $53.5m operating and $12m capital returned to the allowances, and $33.9m reprioritised towards the following programmes: • Everything in option A ($13.9m total operating) • Solar and battery on community sites – CREF ($20m total operating) *Yes/No* **Option C –** Approve Minister for Energy's proposal to re-allocate all of $99.4m to be reprioritised towards his preferred options. *Yes/No*
Referral to other Ministers	**Refer** this to the Minister for Energy: *Yes/No*

Vote Māori Development – Te Māori Tū - Forging New Trade Relationships Through Showcasing Culture

Vote	Māori Development
Initiative ID	17431
Initiative Title	Te Māori Tū - Forging New Trade Relationships Through Showcasing Culture
Contact details	Scott Lyall – Graduate Analyst – [39] Claire Howard – Unit Manager
Issue / advice sought	We are seeking your approval to include a technical initiative submitted by the Minister for Māori Development in the main Budget 2026 package to provide reprioritised funding to Te Māori Manaaki Taonga Trust (TMMTT). The intended goal is to organise a second Te Māori overseas exhibition using this funding. You previously declined to invite this initiative into the Budget 2026 process for new funding, instead asking that the Minister explores contestable funding sources. The Minister has since proposed funding this via reprioritising a contestable fund. As the proposal constitutes a significant policy decision, it should be included in the main Budget package.
Treasury advice	The initiative seeks to reduce the funding available through the contestable Māori Development Fund (MDF) by $2 million per annum, in order to fund TMMTT's new programmes. This transfer is equivalent to a 5% reduction in the size of the MDF. **We then recommend supporting this initiative, as:** • **It is well aligned with Government priorities.** As an initiative to strengthen New Zealand's Māori cultural exports, there is alignment with the Government's *Going for Growth* priorities and the Cabinet-endorsed *Amplify* creative and cultural strategy. • **The initiative does not require new funding and is likely to have positive economic and Treaty impacts.** TMMTT's programmes provide opportunities for additional local employment and the development of Māori skills. Government investment in 'by Māori, for Māori' initiatives, if sustained and in good faith, may also unlock further co-investment opportunities. • **TMMTT's work programme appears deliverable.** TPK has worked with TMMTT to develop a coherent delivery plan, with specific outputs expected for each year of funding. This plan will form part of the investment agreement, ensuring TPK can continue to monitor performance.
Treasury recommendation	**Indicate** if you want to: • ***Option A****(recommended):* Include this fiscally neutral initiative in the Budget 2026 main Budget package: *Yes/No.* • ***Option B:*** Remove this initiative from the Budget 2026 process: *Yes/No.*

Vote Labour Market – Immigration initiatives and fee & levy reviews

Vote	Labour Market (Immigration)
Initiative ID	17298
Initiative Title	Repayable Immigration Funding Package
Contact details	Anastasia Wilkes – Analyst – [39] John Marney – Manager
Issue/advice sought	There are two initiatives relating to immigration that are proposed (or you have asked) to be funded through future fee or levy increases: one covering core immigration services and the deficit in the immigration memorandum account, and one on immigration compliance. This annex covers the core immigration services initiative, and the scope for recovering costs through future fee and levy increases.
Treasury advice	***Core immigration services funding package*** This initiative seeks a [33] repayable funding package to enable ongoing delivery of core immigration services, partly held in a tagged contingency. The system generated less third-party revenue than expected in the 2024 Fee and Levy Review due to visa volume volatility, fee waiver policy decisions, and structural forecasting issues. The deficit in the 2025 financial year was $148.4 million and is projected to be $232 million by the end of the 2026 financial year. **We recommend supporting the full funding request.** The tagged contingency would only be drawn down if required to manage immediate cost pressures. The Government has already provided funding to manage the deficit, but as it is an ongoing issue, it is important MBIE can conduct a proper comprehensive review including into their volume forecasting, to prevent this issue from reoccurring. Without funding to offset the deficit, a significant savings exercise would be required to maintain a sustainable immigration system and significant savings would risk significant degradation in immigration services (such as visa processing or customer engagement). This could affect businesses if they cannot secure highly skilled workers, tourism operators, or reduce revenue due to lower visa processing. We do not recommend the scaled option, which would only provide funding for 25/26, slightly less operating funding and no tagged contingency. This option is assessed to have a higher risk of service delays or further funding requests. ***Recovering costs in the future*** MBIE has proposed repaying the costs of this package through a fee and levy review, to be completed in late 2027. That review would have to raise sufficient funding to close the deficit and repay this package. Immigration Act amendments broadened the scope of the immigration levy payer base, which will support fiscal sustainability. The amendments also strengthened and legislated consultation requirements for levy changes, which continues to mean that immediate change without consultation is not possible. **Our recommended approach is to provide the funding in this Budget, with the costs recovered and returned as savings in a future Budget.** Based on previous fee and levy reviews, the timing of the review, and the legislative requirements around consultation, we do not think that the additional fee revenue can be reflected in the forecasts or Budget package at Budget 2026.
Treasury recommendation	***Indicate*** your preferred option to include in the Budget package:

Option	*ID*	*Operating ($m)*						*Total Capital ($m)*	*Indicate*
		25/26	*26/27*	*27/28*	*28/29*	*29/30*	*Total*		
Current status in package (recommended)	17298	50	[33]						*Yes/No*
Option A (scaled)		50	-	-	-	-	50	84	*Yes/No*
Option B (no funding)		-	-	-	-	-	-	-	*Yes/No*

Vote Internal Affairs – Baseline Reduction – Department of Internal Affairs

Vote	Internal Affairs
Initiative ID	17144
Initiative Title	Baseline Reduction – Department of Internal Affairs

Contact details

Frederick Thursfield	Analyst	[39]
Amanda Wilson	Unit Manager	

Issue/ advice sought

On our advice, you declined [33] and requested that the Minister of Internal Affairs work with her department to identify alternative savings to ensure that Vote Internal Affairs met its overall baseline savings target.

DIA proposes to meet the [33] target through:

- Returning $3.0 million in 2025/26, funded from forecast underspends this financial year from within its departmental baseline. DIA is currently projecting an underspend, partially driven by efficiency savings realised through its fiscal sustainability programme; and
- $1.0 million in 2029/30 and outyears, providing an ongoing baseline reduction.

These proposed savings are additional to the $5.5 million per annum savings that have already been submitted by DIA in response to the Budget 2026 baseline reduction exercise, which will be met through the consolidation of corporate services, reductions in management layers, and streamlining of the Department's organisational structure.

Treasury advice

We note that there are implementation risks from taking savings from forecast underspends, as unforeseen events could impact the availability of identified savings options. DIA advises that it has a high degree of confidence that because of its proactive work on fiscal sustainability, it will be able to deliver additional savings from underspends in 2025/26. These are provisionally intended to come from underspends in its policy, regulatory services and national archives and library services appropriations.

Further work will be required to confirm how to operationalise sustainably the additional $1 million savings in 2029/30 and outyears, which are indicatively planned to come from reductions to DIA's appropriations for regulatory services and civic information services.

On balance, we recommend accepting the savings proposal, noting that if these savings are not taken, Vote Internal Affairs will not meet its overall baseline savings target in line with the Government's direction for Budget 2026. However, we consider that there are implementation risks that will need to be actively managed by DIA.

Treasury recommendation

Indicate if you want to amend this initiative to:

- **Option A**: Amend this initiative to include the additional savings **(Treasury recommended)**: *Yes/No*

Option	***ID***	***Operating ($m)***						***Total Capital ($m)***
		25/26	***26/27***	***27/28***	***28/29***	***29/30***	***Total***	
Current status in package	17144	-	(5.5)	(5.5)	(5.5)	(5.5)	(22.0)	-
Option A	17144	(3.0)	(5.5)	(5.5)	(5.5)	(6.5)	(26.1)	-

[33]

Vote Business, Science and Innovation – Managing the Fiscal Liability from the Wellington Consolidation Project

Vote	Vote Business, Science and Innovation – Public Service
Initiative ID	17182
Initiative Title	Managing the Fiscal Liability from the Wellington Consolidation Project
Contact details	Lorna Hallett – Analyst [39] John Marney – Manager
Issue/ advice sought	Budget 2024 included savings submitted by MBIE as part of their Wellington Consolidation Programme. These savings failed to materialise, in response to which you directed MBIE to reprioritise to manage the residual fiscal impact from lost savings. This residual fiscal impact was $3.0 million over 2026/27 to 2028/29 [33] . MBIE has submitted options to achieve this.

Treasury advice

MBIE has provided viable options to meet the $3.0 million shortfall from 2026/27 - 2028/29, which we have included in the package. [33]

[33]

Fiscal treatment: When the original savings did not materialise, the fiscal forecasts were adjusted to reflect this. Therefore, any subsequent savings recognised will have a positive impact on the forecasts. [33]
[33] We recommend that any savings that MBIE or GPO-processes identify are used to improve the fiscal forecast to offset the decisions taken at Budget 2024 rather than added to the operating allowance now.

Relationship to broader savings targets: You should consider these options in the context of the savings targets you intend to set for MBIE in this Budget. MBIE's compounding savings targets over the next four years (assuming additional baseline reductions) will be:

	26/27 (2% reduction)	**27/28 (5% reduction)**	**28/29 (5% reduction)**	[33]
Extra savings	$13.7m p.a.	$34.1m p.a.	$34.1m p.a.	
Cumulative	$13.7m p.a.	$48.0m p.a.	$82.3m p.a.	

[33]

Treasury recommendation

Note: *Hon Bishop will need to confirm your decision on this initiative separately, given your role as MBIE's departmental Minister.*

[33]

AND

Indicate your preferred fiscal treatment: *Inside allowances / Outside allowances (Treasury recommended)*

Option	***ID***	***Operating ($m)***					
		25/26	***26/27***	***27/28***	***28/29***	***29/30***	***Total***
Option A **(Current status in package)**	222	-	(1.0)	(1.0)	(1.0)	[33]	
Option B	223	-	(1.0)	(1.0)	(1.0)	-	(3.0)

Hon Nicola Willis

Minister of Finance
Minister for Economic Growth
Minister for Social Investment

Hon Chris Bishop
Minister of Transport
Parliament Buildings

Dear Chris

Thank you for your letter of 5 March 2026, requesting an invitation into the Budget 2026 process to provide funding for the below initiatives, with costs to be fully offset by non-departmental underspends elsewhere in Vote Transport:

- **Membership of international Organisations ($0.6m)**

- **Stewardship of Underground Assets in infrastructure Corridors ($2.5m)**

As you are aware, Budget 2026 is taking place in a tight fiscal environment and in the midst of heightened, global uncertainty. It is crucial that we continue to maintain fiscal discipline to achieve a better future for New Zealand.

As such, the threshold for considering new initiatives is particularly high, with a strong focus on value for money and consideration of funding for initiatives that cannot be deferred to future Budgets. I welcome your suggestion that existing funding can be reprioritised to fund these initiatives.

I invite the new spending initiative into the Budget 2026 process on the basis that it is completely offset by the new reprioritisation initiative.

Although I am confirming you may submit these initiatives for consideration, an invitation is not a guarantee of funding, and this invitation does not guarantee the new spending initiatives will be included in the final Budget package.

Please ensure your officials share information with Treasury officials as soon as practical and formally submit the necessary information to the Treasury in CFISnet by 5pm, 25 March at the latest.

Yours sincerely,

Hon Nicola Willis
Minister of Finance

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