The Treasury

Budget 2026 Information Release

September 2026

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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TE TAI ŌHANGA
THE TREASURY

Treasury Report: Budget 2026 Bilateral on RM Reform and Housing

Date:	19 March 2026	**Report No:**	T2026/553
		File Number:	SH-18-2-M136108

Action sought

	Action sought	Deadline
Hon Nicola Willis **Minister of Finance**	**Discuss** these initiatives with the Minister Responsible for RMA Reform and Housing at the Budget Bilateral on 24 March.	24 March 8pm

Contact for telephone discussion (if required)

Name	Position	Telephone		1st Contact
Ben Hay-Smith	Analyst, Infrastructure, Security and Government	[39]	[35]	✓
Amanda Wilson	Unit Manager, Infrastructure, Security and Government			

Minister's Office actions (if required)

Return the signed report to Treasury.

Note any feedback on the quality of the report	

Enclosure: Yes

Purpose

1. You are meeting with the Minister Responsible for RMA Reform and Housing, Hon Chris Bishop, at 8:00pm on 24 March to discuss his Budget 2026 package.

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

    b. **Annex 2** is the agenda that has – with your office's approval – also been sent to the office of the portfolio Minister 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 an annex of Treasury's assessment of each initiative. **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 2 April 2026.

3. Significant new spending is sought in the RMA Reform and Housing portfolios at Budget 2026. There have also been significant savings initiatives submitted through Housing, including:

    4. $92 million p.a. in expenditure savings from Kāinga Ora,

    5. $91 million p.a. from increasing the Income-Related Rent contribution rate (captured in the Welfare Reform package)

Recommended Action

We recommend that you:

a **discuss** the contents of this report with Hon Chris Bishop, Minister Responsible for RMA Reform and Housing, on 24 March;

Resource management reform implementation

b **Inform** the Minister that your current Budget package includes a Treasury option of this initiative [33]

c **Ask** the Minister about options for further FTE scaling, reprioritisation from baselines, or redeployment opportunities from the MCERT merger;

d [33]

Going for Housing Growth Pillar 3: Incentives for Councils

e **Ask** the Minister about scaling options for the proposed incentives and at what level of scaling they are no longer credible (eg, 0.5% of consent value rather than 1%);

f **Ask** the Minister whether alternative designs such as incentives based on relative increases in consents from the previous year or a contestable fund for fewer councils have been considered, which could provide incentives for councils at lower cost;

Flexible Fund

g [33]

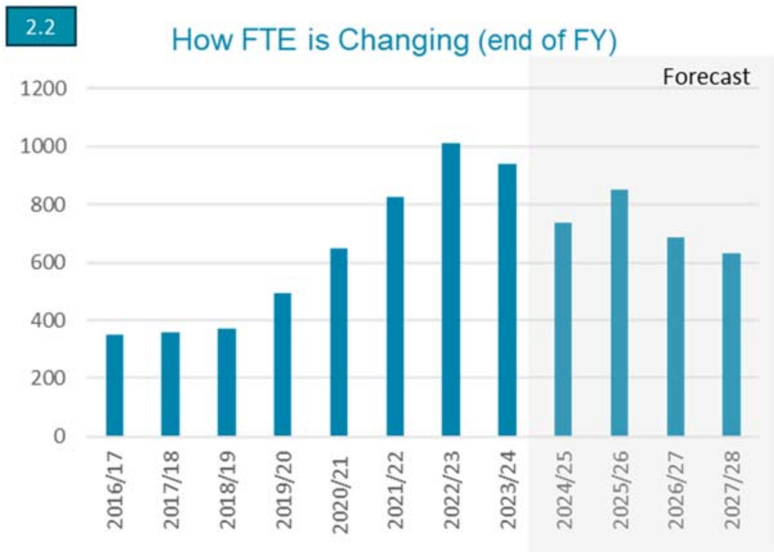
Amanda Wilson
Unit Manager

Hon Nicola Willis
Minister of Finance

Agenda Item 1 – Resource management reform implementation (17112)

Description of key issue	[33] At this stage, it is unclear whether the resourcing and costings assumptions are right-sized in light of Cabinet's decision to operationalise the Ministry for Cities, Environment, Regions and Transport (MCERT) from 1 July 2026.
Treasury recommended talking points	**Inform** the Minister that your current Budget package includes a Treasury option of this initiative [33] **Ask** the Minister about options for further FTE scaling, reprioritisation from baselines, or redeployment opportunities from the MCERT merger. [33]
Treasury advice	The current initiative in the package is based on [33] [33] around 20% scaling to FTE numbers (with 201.6 FTE at peak compared to the 242.5 FTE submitted), salaries and overheads. Across the packages presented we consider there are two key decisions for Ministers: • How much funding, <u>particularly FTE</u>, is required to deliver the reform programme, and • [33]

	[33] ***Decision 1: FTE to deliver the reform programme*** Significant FTE is sought overall, and we **do not have sufficient information** to assess what is critical for implementation. We also note that with the upcoming establishment of MCERT, there are likely to be opportunities to utilise existing resources in other agencies. We have undertaken initial scaling through: • Reducing FTE costs (salaries and overheads) by roughly 20% to align more closely with public sector averages and comparable agencies • Reducing FTE and consultant numbers by roughly 20% (excluding the Planning Tribunal and digital components), [33] However, we recommend you also ask Minister Bishop for further scaling information and justification for the significant policy FTE requested to support these reforms, as well as additional reprioritisation options. Some components you could seek further scaling on include: • <u>National direction and regulations</u>, and related policy resource (57 FTE at peak in [33] • <u>Workforce capability and capacity</u> to support councils through transition (38 FTE at peak in [33] • <u>Transformation governance</u> to coordinate programme delivery (24 FTE at peak in [33] • <u>The 'Pattern Book' initiative for medium-density housing designs</u> (8.3 FTE at peak in [33] • <u>Funding for engaging councils in 'culture change'</u>, (6.5 FTE at peak in [33] The Ministry has indicated further scaling would increase risks to delivery of the overall reforms, but we have insufficient information to assess the extent of this. We note the Vote Environment baseline is declining significantly following net savings of ~$823 million across the 2023 Mini Budget, and Budgets 2024 and 2025, meaning opportunities to reprioritise may be limited, but the MCERT opportunities should be considered. We further understand MFE has approximately 150 fixed-term FTE due to expire on 30 June 2026. Below is an overview of how MFE's FTE has changed overtime, prepared as part of the 2024/25 Performance Plan. Note this excludes Budget 2026 decisions.

	 [33] *Linkages with the National Flood Map initiative* You requested further advice on how the National Flood Map initiative relates to this initiative. We recommend combining the initiatives given the dependencies between the two projects. You will receive separate advice shortly on options for delivering the National Flood Map (26-BRF-00142 refers).

Agenda Item 2 – Going for Housing Growth Pillar 3: Incentives for Councils (17288)

Description of key issue	The National-ACT coalition agreement states the Government will "introduce financial incentives for councils to enable more housing, including considering sharing a portion of GST collected on new residential builds with councils." The proposed fund design spreads incentives across many councils, making incentives for most councils small despite the large fiscal cost for the Crown. There may be alternative designs for financial incentives that strike a better balance of cost and benefits, or options to defer this initiative until a future Budget.
Treasury recommended talking points	**Ask** the Minister about scaling options for the proposed incentives and at what level of scaling they are no longer credible (eg, 0.5% of consent value rather than 1%). **Ask** the Minister whether alternative designs such as incentives based on relative increases in consents from the previous year or a contestable fund for fewer councils have been considered, which could provide incentives for councils at lower cost.
Treasury advice	***Proposed fund design*** The initiative proposes a fund of financial incentives for councils equal to 1% of the average value of residential dwellings consented per year (about 6-7% of GST on new builds). This would cost $393.5 million over the forecast period and escalate in outyears. Under this proposal, there is also a risk that if consenting rates are higher than expected, the Crown would be required to meet these costs creating an unfunded fiscal risk. The total cost from 2028/29 to 2032/33 is around $1 billion, triggering the 10-year operating rule and increasing the initiative's impact on allowances from $98.3 million p.a. to $172.9 million p.a. The initiative is the <u>largest operating spending in the current Budget package</u>. Despite the large fiscal cost incentives would be minimal for many councils and, in our view, unlikely to shift council behaviours (eg, based on 2025 consents Hutt City Council would receive a payment of $2.1 million compared to annual spend of $504 million). ***We recommend deferring this initiative until wider reforms have embedded*** It is not clear that financial incentives for councils will be necessary after reforms like RMA reform and the development levies system have had a chance to embed and change council behaviours. As a result, we recommend deferring this initiative until those reforms have embedded. If after that time there is clear evidence incentives are necessary, further work to develop options for council financial incentives could be undertaken. ***Options to progress incentives for councils*** If you wish to progress incentives, we recommend that you discuss two options with the Minister: 1. <u>limiting the fiscal impact</u> of the proposed incentives, or

	2. investigating alternative fund designs ***Option 1: Limiting the fiscal impact of the proposed incentives*** If you wish to proceed with the design based on a portion of GST, we recommend the agency's option for a capped fund which would pro-rate payments to fit within an appropriation based on forecast consenting levels. This would mitigate the risk of the fiscal impact increasing due to higher-than-forecast consenting rates but would mean councils receiving a shrinking portion of GST if consents are above the forecast level. You could also consider further options to constrain the fiscal impact of the initiative, such as: • reducing incentives to 0.5% of residential consent value, or • flat-lining the size of the fund outside the forecast period rather than increasing in line with forecast consenting rates. ***Option 2: Investigating alternative fund designs*** Though the coalition agreement commits to introducing financial incentives for councils, basing them on a portion of GST is noted in the coalition agreement only as an option that will be considered. You could consider other choices for council incentives, such as: • incentives based on relative increases to a council's consenting rates between financial years, or • competitive fund designs which allocate payments to fewer councils per year (ie, the top ten councils rather than all 67). As an illustrative example, a fund of $100 million p.a. divided among the ten councils with the largest relative increase in consents year on year would: • cost half as much as the proposed fund design ($200 million in forecast period compared to $393.5 million, with no escalation in outyears), • provide a strong incentive for smaller councils to change behaviours and support housing growth, and • provide competitive incentives for councils to match others' rates of consenting, though with other trade-offs such as inequitable impacts across regions and distorted incentives to phase consents between years. Alternative fund designs would require further policy work and could require a tagged contingency or deferral to a future Budget. Careful consideration would be needed to ensure that the fiscal impacts are capped in any other of these options.

Agenda Item 3 – Flexible Fund (17268)

Description of key issue	Through Budget 2025, Ministers established the Flexible Fund which procured 650-900 new Social Homes and Affordable Rentals. An investment plan was subsequently released outlining a delivery pipeline through to 2029/30. [33] The rationale for building out a longer-term social housing pipeline is based on efficiency gains, including improved economies of scale, interest rate reductions, better deals on land or with developers and repeatable process efficiencies.
Treasury recommended talking points	[33]
Treasury advice	[33] Establishing a longer-term Social Housing pipeline is expected to provide greater investment certainty for the Community Housing sector driving process efficiencies and improved economies of scale. [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. **Agenda Item 1:** ***Resource management reform implementation***
2. **Agenda Item 2:** ***Going for Housing Growth Pillar 3: Incentives for Councils***
3. **Agenda Item 3:** ***Flexible Fund***

Agenda Item 1 – Resource management reform implementation

Description of key issue	[33] At this stage, it is unclear whether the resourcing and costings assumptions are right-sized in light of Cabinet's decision to operationalise the Ministry for Cities, Environment, Regions and Transport (MCERT) from 1 July 2026.

Agenda Item 2 – Going for Housing Growth Pillar 3: Incentives for Councils

Description of key issue	The National-ACT coalition agreement states the Government will "introduce financial incentives for councils to enable more housing, including considering sharing a portion of GST collected on new residential builds with councils." The proposed fund design spreads incentives across many councils, making incentives for most councils small despite the large fiscal cost for the Crown. There may be alternative designs for financial incentives that strike a better balance of cost and benefits, or options to defer this initiative until a future Budget.

Agenda Item 3 – Flexible Fund

Description of key issue	Through Budget 2025, Ministers established the Flexible Fund which procured 650-900 new Social Homes and Affordable Rentals. An investment plan was subsequently released outlining a delivery pipeline through to 2029/30. [33] The rationale for building out a longer-term social housing pipeline is based on efficiency gains, including improved economies of scale, interest rate reductions, better deals on land or with developers and repeatable process efficiencies.

Annex 3 – Current Budget 2026 RMA Reform and Housing package

Budget 2026 - Package as at 18 March 2026 (Housing & RM 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**
Environment	17112	New Capital Investment	RM Reform Implementation Tranche 1 Investments	[33]											3
	17140	New Service Or Policy	National Adaptation Plan - National Flood Map												2
Housing and Urban Development	17268	New Service Or Policy	Housing Flexible Fund – further investment for social housing and other housing solutions	[33] This is intended to sustain momentum of social housing delivery and establish a long-term investment pipeline to drive better value for money and provide greater certainty to the community housing sector. It supports the implementation of the investment strategy outlined in the Government Policy Statement on Housing and Urban Development and the direction set out in the recently released Housing Investment Plan. The investment strategy and plan outline a consolidated investment approach to better target funding to those in high housing need and improve value for money from Government investment.	Included	[33] We agree with the Agencies assessment of the efficiencies derived from a longer-term pipeline. [33] Starting in 2028/29 enables you to build on the Budget 2025 investment (beginning procurement now) and reduces delivery risk by scaling up more gradually. [33] This scaled option costs $45.371m over the forecast period and $234.866m in total with ongoing costs over the 25-year contract periods (assuming IRR increases to 30%).	[33]								
	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	[33] . 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	(363.8)	(90.9)	1.5	2	4	4

Vote	ID	Budget Track	Title	Description	Current Status	Treasury Recommendation and Commentary	Dept. Submissions $(m) Total Opex	Opex P.A.	Total Capex	Current Package $(m) Total Opex	Opex P.A.	Total Capex	Value for Money Values V	A	D
Housing and Urban Development	17282	New Service Or Policy	Going for Housing Growth – Pillar 2: Regulatory Oversight of Development Levies	This initiative provides funding to establish a function within the Commerce Commission to provide regulatory oversight of development levies charged by territorial authorities and water organisations. Funding is sought for staff and overhead costs within the Commerce Commission.	Included	We recommend supporting a scaled option for this initiative, which would fund the Commerce Commission to regulate a new system of development levies. Cabinet has agreed to a development levies system with regulatory oversight and agreed in-principle to the Commission taking on this role. A March 2026 report-back is expected to seek final Cabinet agreement to the proposal and confirm further details, including possible cost recovery which would reduce fiscal impacts. Funding could be deferred, but if Cabinet agrees to the Commission taking on the role this could risk delays or further design work for the development levies system. We have confirmed with the agency the minimum FTE necessary in FY 2026/27 to support establishment before legislation passes in mid-2027 and scaled accordingly.	35.7	8.9	-	29.7	7.4	-	3	4	3
	17288	New Service Or Policy	Going for Housing Growth – Pillar 3: Council Incentives for Urban Development	This initiative provides funding to support the implementation of Going for Housing Growth by improving council and community incentives to support housing growth. The funding will be paid to councils (territorial and unitary authorities) based on the number of new residential building consents within each councils' territory and a proportion of the national average value of construction work consented. Councils will be able to use the revenue to manage impacts of growth on existing communities, such as pressure on amenities from increased demand, that result from housing growth.	Included	We recommend not supporting this initiative, which would provide grants to councils based on a portion their residential building consent activity. There is no clear intervention logic for grants alongside the significant changes to council incentives expected through Going for Housing Growth and resource management reform. The incentives would be minimal on a per-council basis (around 0.6% of a council's annual spend), involve large fiscal risks, and could become a major cost pressure in future. Previous experience in water services reform also indicates financial incentives have limited success in shifting council behaviours. If progressed, we recommend a capped fund to limit fiscal impacts. This would require further work as no detailed options to cap the fund have been presented.	393.5	172.9	-	393.5	172.9	-	1	3	3
	17304	Service Or Policy Savings	Kāinga Ora Expenditure Reductions	This savings initiative is reductions in operating expenditure by Kāinga Ora primarily repairs and maintenance and depreciation due to reduced construction costs for renewal activity flowing from the turnaround plan.	Included	We recommend supporting this saving initiative. The Minister of Finance has already agreed to these savings being added to the Budget 2026 operating allowance [T2025/2954 refers]. Kāinga Ora will update their forecasts in February for Budget 2026, which HUD will review to ensure these forecasts still reflect Kāinga Ora's efficiency savings.	(368.0)	(92.0)	-	(368.0)	(92.0)	-	4	4	3

[33]