The Treasury

Budget 2026 Information Release

September 2026

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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

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TE TAI ŌHANGA
THE TREASURY

Treasury Report: Budget 2026 Package Advice – Week Commencing 23 March

Date:	27 March 2026	**Report No:**	T2026/596
		File Number:	BM-2-4-2026-M136396

Action sought

	Action sought	Deadline
Hon Nicola Willis **Minister of Finance**	**Indicate** your decisions on agencies to submit new initiatives in Annex 1 **Sign** the attached invitation letters at Annex 2 **Indicate** your decisions on further headroom options in Annex 3 **Indicate** your decisions on individual initiatives in Annex 4 **Indicate** your decisions on baseline reduction scope and communications in Annex 6.	27 March 2026

Contact for telephone discussion (if required)

Name	Position	Telephone		1st Contact
Sam Putt	Analyst, Budget Management	[39]	N/A (mob)	✓
Emily Fulford	Unit Manager, Budget Management		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

Treasury Report: Budget 2026 Package Advice – Week Commencing 23 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 [T2026/479 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:** Decision annex on agencies that we recommend inviting to submit reprioritised packages.

   b **Annex 2:** Draft invitation letters to Ministers, actioning your decisions in Annex 1 to reframe the Budget package in light of the situation in the Middle East.

   c **Annex 3:** Decision annex for further advice on areas of the package you would consider re-opening, to generate further headroom in the package.

   d **Annex 4:** Advice on initiatives where we are seeking your steer on the treatment of these initiatives in the draft package.

   e **Annex 5:** Updated Budget 2026 timeline.

   f **Annex 6:** Interaction between Public Sector Transformation Paper and Baseline Reduction Programme

   g **Annex 7:** Talking points to support your 30 March Cabinet meeting on changes to the Budget Process to respond to the fuel price shocks.

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

Table 1: Treasury Advice Week Commencing 23 March

Advice	Description
Taxation and the not-for-profit sector: Recommendations following targeted consultation [IR2025/062, T2026/539]	This advice provides an update on options for the Charities and not-for-profits sector for the Budget package.
Budget 2026 Second Bilateral on Welfare Reform (T2026/621)	Provides advice to support your second welfare reform bilateral meeting with Hons Bishop, Upston, Potaka, and Watts, on Tuesday 31 March.
Health bilateral Education bilateral	You will receive bilateral briefings early next week to support you at your upcoming bilateral meetings on Wednesday 1 April.
Advice on Transport Budget 2026 package [T2026/608]	You will receive advice the Transport Budget package following your bilateral last week.

4. At a meeting with the Treasury on 26 March, you made a number of decisions to enable current Middle East conflict impacts to be considered as part decision-making process for Budget 2026.

5. You have agreed to a short, sharp invitation process for relevant Ministers. Details of the invitation process are detailed on pages 5-6. Attached in **Annex 2** are draft letters inviting targeted agencies to resubmit their packages.

6. A full updated timeline is at **Annex 5**, which reflects your decisions on these key date changes. We are working with your Office to finalise these dates.

   a. **13 April:** Potential new date for Budget Ministers 3. If Budget Ministers cannot move to this date (and needs to remain on 9 April), then you can still make progress on outstanding decisions at Fiscal Matters on 13 April.

   b. **22 April:** New Budget Ministers 4 meeting.

   c. **Week of 4 May**: Cabinet considers Budget 2026 package.

Impact of the revised timing

7. Increasing time for Budget decision-making affects the time available for, and the risks associated with, the Budget production process. Given the international context we agree that providing more time for consideration of the Budget package is the right approach, and we have been working to reorganise timelines and production approaches to support this. This section provides visibility of the trade-offs.

8. In normal scenarios, we have advised that four weeks is the minimum recommended timeframe for production processes, without introducing higher levels of risk around errors or inconsistencies. This production time is used for the review and printing of Estimates documents (which requires Budget decisions to finalise), the drafting of the Appropriation Bills by PCO (which requires data from Estimates documents), non-discretionary documents required under the Public Finance Act (e.g., the Fiscal Strategy Report, and the Budget Economic and Fiscal Update) and more discretionary Budget communications material (e.g., the Summary of Initiatives).

9. The delayed timing of Cabinet's consideration of the Budget package reduces this period to three weeks. We are aiming to preserve the timeframes available to PCO to draft the legislation as much as possible, although we are engaging with them on possible options to reduce time within the legislative drafting process. The consequences of this this shorter period are:

   a. We will reduce the normal review and QA we perform over the Estimates documents. We will be more reliant on the accuracy of information provided by departments and there is a higher risk of errors in the documents and legislation. The preparation and accuracy of Estimates documents are the responsibility of departments and their Ministers, so we will reinforce this accountability when we engage with departments on the adjusted timelines.

   b. The Estimates documents and fiscal forecasts may not reflect any minor changes that Cabinet makes to the financial recommendations of the Budget package (although we can insert notes to those documents to explain any differences).

   c. There will be fewer opportunities to review Budget communications material.

d. There is less contingency and flexibility in the process to respond to a significant event that may affect the production process. There are options to mitigate some of these risks such as by reducing the size of print runs compared to normal years.

10. A key risk we are looking to mitigate is potential errors in the Appropriation Bills, as these provide the legal authority for the incurring of expenditure and the need to present them on Budget Day. However, there are options to rectify errors in the legislation after Budget day, such as through amendment papers to the Bills.

11. These kinds of amendments are normal and expected when responding to a situation like this one – amendment papers or second Supplementary Estimates Bills were used during COVID-19 and after the Canterbury earthquakes. As amendment papers are considered during the Committee of the Whole House stage of the Bill, careful scheduling of House time will be required to ensure that this Bill and the First Imprest Supply Bill can be in force before 30 June.

12. This advice is based on Budget decisions being made by Cabinet in the week commencing 4 May 2026. Delaying Cabinet decisions later than this would require substantial reductions in PCO drafting time and would put delivery of Budget legislation by Budget Day at significant risk. This would also have flow on impacts to the delivery of other Budget documents and may require decisions not to do discretionary Budget documents (such as the Budget-at-a-Glance or Summary of Initiatives).

A key mitigation is to make further decisions at or shortly after Budget Ministers 3

13. The main way risk can be reduced in the production timetable is by confirming settled parts of the package at Budget Ministers 3 and leaving Budget Ministers 4 for outstanding issues (e.g., responding to the fuel situation). This allows us to progress the Estimates documents for most Votes in advance of Cabinet decisions and ensures that Budget decisions are accurately reflected in the fiscal forecasts.

14. Budget Ministers 2 already confirmed comfort with the package for some small votes. Depending on progress in the next couple of weeks, we think that further progress can still be made before you travel for the IMF Springs.

Options to re-cast the Budget Package in light of the Middle East response

Overview of current package

15. Following your decisions at Budget Ministers 2, the current operating package is $0.1 billion under the $2.4 billion allowance as represented in Table 2 below.

16. The current capital package is oversubscribed against the allowance by $3.5 billion total.

Table 2: Current package

Timing	Savings	Spending (inc. precommitments)	Package	Position against allowance
Current package (Week commencing 23 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	$7.0 b total capital	**$3.5b over**

17. The current package figures include a few large initiatives that are still under consideration, or you have indicated you want to reconsider, in particular:

Table 3: Significant initiatives still under consideration

	Currently in package	**Possible adjustment**
Council incentives for housing development	$172.9m (1% of new build value from 2028/29)	$25.7m (0.5% of new build value from 2029/30 only)
[33]		-
[33] [33] [33]	[33]	
Increase tenant contributions to Income-Related Rent from 25% to 30%	[33]	-
[33]		

18. If all of the above were included, the package would come to $55.4 million under operating allowances. We have provided separate advice on welfare reform [33] in particular, to support your meeting with relevant Ministers on Tuesday 31 March (T2026/621 refers).

This is a good starting position to reposition the Budget package

19. As we discussed on 26 March, there are three areas where you may need to consider repositioning the Budget package in light of the Middle East conflict:

    a. Emerging cost pressures relating to fuel in frontline services

    b. Potential need to fund new initiatives (e.g. any Crown funding to cover a deferred increase in fuel excise duty)

    c. Generating additional headroom to manage the above.

We have identified key agencies that will face critical fuel-related cost pressures and recommend be invited to submit these into the Budget process

20. We have undertaken some indicative analysis based on agency fuel use and the Treasury's scenarios. Based on this, we consider near-term fuel-related cost pressures to be manageable for most agencies within baselines. In many cases we would expect general inflationary pressure may be a significantly larger cost pressure than fuel, and would see no reason to treat those costs differently.

21. We have identified the agencies that will be most directly impacted by increased fuel costs, are likely to face fuel-related cost pressures as a result, and where the costs are significant as a share of baselines. These are the envelope agencies and a small number of other agencies (Oranga Tamariki and Fire and Emergency NZ), which all use fuel to undertake their primary roles in delivering essential services, and have limited scope to reprioritise within baselines. For these agencies, we think it is worthwhile issuing invitations to submit these pressures into the Budget process.

22. Annex 1 summarises the agencies that we recommend inviting to update initiatives to account for fuel cost pressures. We are suggesting a slightly different approach to different agencies depending on their individual circumstances. In particular, we are suggesting that you do not ask all Law & Order Ministers to reconsider their envelope, given that we only consider fuel costs to be a relevant consideration in Police and Corrections. We have then attached draft letters to action this in Annex 2.

23. Early modelling based on the Treasury's scenarios indicates these agencies could face additional cost pressures of between $20 million to $140 million over the year – but these are highly indicative – noting this figure may not cover all potential costs, and does not account for any reductions in fuel use. Not all of these cost pressures will need to be funded through Budget allowances, as some may be captured through forecast- or levy-related appropriations.

For all other agencies, we recommend managing costs within baselines

24. We recommend all other agencies should be expected to manage costs within existing budgets, as you have already indicated. We have included this message in the attached draft letters to other agencies. The Treasury will issue guidance to agencies on how they can transact any necessary technical adjustments to appropriations this year to give effect to this direction.

25. We note that the New Zealand Transport Agency (NZTA) and Customs are likely to face particular fuel pressures, but on balance do not recommend inviting them into the process.

    a. **NZTA –** is a significant consumer of fuel, but primarily via its contractors. Given they have more discretion over these works than other agencies who rely on fuel to undertake their primary roles, our view is they do not need an invitation for additional cost pressures at this time. In the first instance NZTA should consider opportunities to rephase, delay, or reduce new and upcoming works, to manage potential cost increases internally.

    b. **Customs –** have indicated to us that they will manage increased costs from their memorandum account, with the majority of these costs to be funded from third party revenue (which will be reviewed in 2027 or 2028). Customs also noted that if number of flights coming to NZ reduces, this will impact their revenue.

Other potential spending measures

26. As the situation evolves, you may wish to consider further, targeted spending measures. For example, decisions to defer fuel excise increases may require additional short-term funding from the Crown to supplement the Land Transport system with.

27. You also asked for advice on business support measures, particularly for steps 3 and 4 of the Fuel Plan. We will provide advice ahead of a potential discussion at your Weekly Agency Meeting on Wednesday 1 April. This could lead to some further funding options for Budget 2026.

Options to generate further headroom in the package

28. Depending on the scale of further spending required (for fuel pressures, and otherwise), it may be necessary to reevaluate existing funding decisions in the Budget package.

29. To generate further headroom in the package and enable you to manage within your allowances, you could either bring new savings initiatives into the package (or scale existing savings initiatives up), or re-evaluate your discretionary spending decisions.

30. In Annex 3, we have provided an overview of key votes where we consider there are options to generate headroom. Options include to further revise down envelope spending, or to revisit decisions that have been made to date. We have avoided surfacing cost pressures that we consider have already been scaled to the minimum viable level. Where you are open to considering previous decisions, we will provide further initiative-level advice next week.

31. The other area that may generate headroom is public sector savings. While we would not recommend changing the rate at this point, Annex 6 sets out some advice about the appropriate scope of the baseline reduction in light of the FTE targets in the public service transformation cabinet paper. Given those FTE targets, we recommend that you reconsider the exclusion of MFAT and DPMC, and the partial exclusion of MSD.

Approach to capital cost escalations

32. On Thursday 26 March we discussed the possibility of the fuel situation increasing the cost of capital projects or affecting your capital pipeline.

33. While this is a risk, the extent of this remains highly uncertain as it depends on the nature of individual contracts, the project contingencies already in place (and whether they are already committed), and the type of the investments. Supply and fuel constraints are also likely to affect delivery timeframes, rather than just costs. These complexities mean that cost escalations often come at a lag – capital cost escalations resulting from COVID-19 disruptions were largely funded in 2022.

34. There are two immediate issues.

    a. Any investments in delivery that have contractual cost escalations that will require funding in 2025/26 and can't be met in existing contingencies – we have suggested that your letter to Ministers directs any issues to be raised with the Treasury. We expect there would be very few, if any, examples.

    b. Whether any major investments in the package may now be significantly more expensive – we are undertaking targeted engagement with agencies.

35. We do not propose a further process to identify potential cost escalations at this Budget beyond this. The general message should be that agencies should look to deliver within approved budgets and identify and escalate potential delivery or cost changes through Quarterly Investment Reporting in the usual way. Those costs, if any, could then be managed through a future capital allowance.

Fiscal strategy update

36. Based on preliminary forecasts, lifting the Budget 2029 allowance to $5 billion is compatible with your debt intention.

37. At Fiscal Matters on Monday, 23 March, you asked about the impact on net core Crown debt of lifting the Budget 2029 capital allowance to $5 billion. Indicative modelling based on preliminary fiscal forecasts shows this would be compatible with your short-term intention to bend debt down towards 40% of GDP.

38.

39. (also in T2026/471) shows different scenarios for capital allowances that are all compatible with your short-term intention to bend debt downwards, based on indicative modelling. Table 44 describes the impact on the net core Crown debt peak and OBEGALx. The size of the Budget 2026 capital package will have more of an impact on the net core Crown debt peak than the Budget 2029 allowance, because Budget 2029 primarily impacts the last year of the forecast period.

[33], [37]

Table 4: Indicative impacts of capital allowance scenarios on net core Crown debt and OBEGALx

Scenario for capital allowances	Indicative net core Crown debt impact	Indicative OBEGALx impact
Status quo: $3.5 billion capital allowances	Peaks at 45.7% of GDP in 2027/28 before bending down to 44.6% of GDP in 2029/30.	Deficit of $0.1 billion in 2028/29, surplus of $2.6 billion in 2029/30.
Uplift to $5 billion in Budget 2029 with $4.2 billion Budget 2026 capital package	Peaks 0.1% of GDP higher at 45.8% of GDP in 2027/28 before bending down to 44.9% of GDP in 2029/30.	Deficit of $0.1 billion in 2028/29. Slightly smaller surplus of $2.5 billion in 2029/30.
[33]. [37]		
Phased uplift: $4.2 billion Budget 2026, $4 billion Budget 2027, $4.5 billion Budget 2028, $5 billion Budget 2029	Peaks 0.1% of GDP higher at 45.8% of GDP in 2027/28 and 2028/29 before bending down to 45.1% of GDP in 2029/30.	Deficit of $0.1 billion in 2028/29. Slightly smaller surplus of $2.5 billion in 2029/30.
Maximum compatible with debt intention: $7.9 billion capital allowances for Budgets 2026-2029	Peaks 1.5% of GDP higher at 47.2% of GDP in 2028/29 before bending down slightly to 47.1% of GDP in 2029/30.	Larger deficit of $0.4 billion in 2028/29. Smaller surplus of $2.1 billion in 2029/30.

Pace of consolidation

40. While there remains significant uncertainty, our current assessment is that the forecast pace of consolidation is appropriate. Spare capacity in the economy and risks to near-term real GDP growth posed by the Middle East conflict favour a backloaded consolidation, which will not exacerbate the business cycle. Treasury preliminary forecasts estimate that the fiscal deficit will decline gradually, reaching zero by the end of the forecast period. These estimates suggest the forecast consolidation is not exacerbating the downturn, since the contraction is only expected to start when the output gap starts to close and there is no longer estimated to be spare capacity in the economy.

41. We do not expect the recently announced support for low-to-middle-income working families to affect the trajectory of monetary policy. Monetary policy is forward-looking and focused on medium-term inflationary pressures. Targeted and temporary fiscal support is unlikely to affect medium-term inflation pressures. Funding fiscal support within existing allowances also helps alleviate medium-term pressures on inflation by maintaining the overall forecast trajectory of fiscal policy.

Recommended actions

We recommend that you:

a **indicate** your decisions in Annex 1 on agencies that we recommend inviting to submit reprioritised packages;

b **sign** the attached draft invitation letters to Ministers in Annex 2, actioning your decisions in Annex 1 reframing the Budget package in light of the situation in the Middle East;

c **indicate** your decisions in Annex 3 on areas of the package you would consider re-opening, to generate further headroom in the package;

d **indicate** your annexes on individual initiatives in Annex 4;

e **indicate** your decisions on baseline reduction scope and communications in Annex 6;

Emily Fulford
Unit Manager, Budget Management

Hon Nicola Willis
Minister of Finance

_____/_____/_______

Annex 1: Fuel-intensive agencies we recommend inviting to submit

Envelope/Vote	Detail	Next steps
Health	Health are likely to face some fuel-related cost pressures (e.g. for ambulances, midwives, and care and support workers). We expect that the [37] Health envelope can be reconfigured to help manage these pressures, while maintaining other priorities that you have indicated an interest in funding (including the potential cost pressure initiative for Pharmac, which you invited into the process at your bilateral meeting with Hon Seymour).	**Invite** to resubmit their envelope, in light of cost pressures. Yes / No
Defence	We recommend inviting Defence to resubmit a new envelope, which identifies additional cost pressures and sets out their relative priority against Year 2 DCP investments. You have indicated you are open to deferring investments included in year 2 of the DCP – this could provide further headroom in the package. We recommend maintaining Intelligence agencies' funding package as agreed previously ($38.9m p.a.).	**Invite** to resubmit their envelope, in light of cost pressures. Yes / No **Agree** that the resubmitted envelope should present options to defer investments included in Year 2 of the DCP. Yes / No **Agree** to maintain Intelligence agencies' funding package (38.9m p.a.) Yes / No
Law and Order	We expect NZ Police and Corrections to have high fuel cost pressures. We recommend inviting writing directly to Hon Mitchell (copying Hon Goldsmith) asking for information about fuel cost pressures. We will then provide you advice about possible re-composition of the Law & Order package, which you could discuss with Ministers if needed. We have recommended this approach from a pragmatic point of view to avoid re-opening complex multi-agency and multi-Minister discussions on the composition of the envelope, when this commission is not relevant to most agencies. As part of that, you may want to consider providing any additional funding in addition to the $300 million in the current envelope given the large number of non-discretionary cost pressures.	**Invite** to resubmit their envelope, in light of cost pressures. Yes / No
Education	Education face pressures from diesel costs (although school transport is typically funded through forecast adjustments). We consider the envelope can be resubmitted to prioritise these cost pressures, while deprioritising new investments.	**Invite** to re-submit their envelope, in light of cost pressures. Yes / No
Oranga Tamariki	Oranga Tamariki is likely to face fuel pressures and our initial assessment is they would struggle to reprioritise from baselines in the near term. We suggest inviting this into Budget as a standalone spending initiative and balancing this cost against other spending pressures.	**Invite** to submit a new spending initiative for cost pressure initiative. Yes / No
Internal Affairs (Fire and Emergency NZ)	FENZ face high fuel cost pressures and limited discretion over response requirements, but we understand that they may have options to mitigate some of these risks. We recommend inviting FENZ to submit a funding request, but in the context of potential scenarios for reprioritisation.	**Invite** to submit a new spending initiative for cost pressure initiative. Yes / No

Annex 2: Draft invitation letters

Annex 3: Options to generate further headroom in the package

Vote	Options to increase savings / reduce spending	Next steps
Environment	You will receive further advice on options to scale Resource Management Reform Implementation Tranche 1 [33] and [37] and integrate with the National Flood Map initiative [33] and [37]	Further advice to come next week.
Tertiary Education	Ending the final year Fees Free Scheme is a significant savings option (up to [33] . if ended at end of 2026). Changing parameters (eg adding grandparenting, maintaining support for vocational education) would reduce these savings. The Ministry of Education has been commissioned to provide options by 8 April. Tertiary volume pressures have already been scaled to the minimum viable level.	Further advice to come by 8 April.
Health envelope	You could revisit the size of [37] per annum operating envelope currently allocated to Vote Health as most of the initiatives are discretionary. We will provide further advice on the current status of the health package ahead of the 1 April meeting with Hon Brown and can include options to reduce the size of the envelope if you wish.	**Discuss** with Hon Brown at your 1 April meeting. **Indicate** if you would like options for a lower Health envelope. Yes / No
Education envelope	You could revisit the size of the [37] and [38] operating envelope as there are discretionary spending options currently included. On Education capital, you sought further advice on options to increase the $280m package to include school property (a further $300m). This funding could be deferred to a future Budget. We will provide further advice on the current status of the Education package ahead of the 1 April meeting with Hon Stanford, and can include options to reduce the size of the envelope if you wish.	**Discuss** with Hon Stanford at your 1 April meeting. **Indicate** if you would like options for a lower Education envelope. Yes / No
Law and order envelope	We do not consider there are realistic options to scale operating expenditure initiatives as most are focused on critical cost pressures. There are choices to defer capital investments (Police Property, [33], [37]) to create headroom in your capital package.	**Indicate** whether you would like further advice. Yes / No
Transport - Rail	Rail Network Investment Programme funding could be scaled to fund one year only, rather than three years, saving around $80m p.a. This would lose scale efficiencies and creates a future cost pressure.	**Indicate** if you would like further advice. Yes/No
Foreign Affairs	The package currently includes $57m for the International Development Cooperation, which you could seek to reduce. At Fiscal Matters on 23 March, you asked for advice on if the IDC could be used to support Pacific Islands with fuel issues, and how much of it is unallocated. At the end of 2025 [33] [33] We can ask MFAT for an updated figure. Unallocated spending is flexible and can be diverted to a range of uses that could fit fuel issue responses, such as procurement and supply of critical goods and services. We expect this will be a priority for MFAT's future aid spend – you could discuss prioritising this with the Minister of Foreign Affairs.	**Discuss** with Rt Hon Peters on Wednesday 1 April. **Indicate** if you would like further advice. Yes/No

Vote	Options to increase savings / reduce spending	Next steps
Revenue	There are savings measures still available (Australian-style Bank Tax, [34] further reducing Donation Tax concessions, up to $65m p.a. additional). You could also reconsider Foreign Investment Fund rules reform ($18.7m p.a. spending).	**Indicate** if you would like further advice. Yes/No
Statistics	Funding to [33] and [38] could be deferred to a future Budget or scaled down, noting that would have implications for Stats NZ and the Social Investment Agency. You noted at our meeting with you on 26 March, that the Minister for Statistics is already considering such options.	**Indicate** if you would like further advice. Yes/No
Housing	The Housing Flexible Fund could be reduced (either by time-limiting or reducing the number of homes). Scaling or removing the level of funding for Council Incentives will also provide headroom.	**Indicate** if you would like further advice. Yes/No
Internal Affairs	Options include deferring spending for the Emergency Management Common Operating Picture initiative [38] . This initiative provides data upgrades and operational tools to improve the Government's emergency response and National Warning System. On 30 March, Cabinet will consider whether [33] [33] . There is currently [33] in the package for this initiative, which likely could be scaled further.	**Indicate** if you would like further advice. Yes/No
Social Development	You could reconsider funding for Food Secure Communities and KickStart Breakfasts ($9.5m). You requested further advice on options to scale the SuperGold Card initiative ($9.1m p.a. operating, $6.5m capital). MSD have informed us there is no opportunity to scale the initiative and further scaling it would risk delivery of wider portfolio priorities. We consider there is a strong case for deferring this initiative as it is discretionary.	**Indicate** if you would like further advice. Yes/No
Education – Early Childhood Education	At your bilateral meeting with Hon Seymour, you agreed to progress [33] . You noted your expectation at the bilateral discussion with the Associate Minister of Education that any risk of increased costs to the Crown as a result of these changes is mitigated through careful policy design.	Further advice is in train.

Annex 4: Individual initiatives for decisions

Vote Business, Science and Innovation (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. 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 proposes to re-allocate funding towards: [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 are seeking your views on these reprioritisation decisions to inform Budget 2026 decisions.
Treasury advice	1. **EECA cash reserves ($12m):** As returning EECA cash reserves would not result in operating savings and it is not clear the reserves are required, we recommend these be returned to the centre and allocated to the capital allowance. You could choose to let EECA retain the cash reserves with an expectation that EECA use these reserves in its wider energy resilience support. 2. You have indicated your intention to consider funding additional energy security measures. We therefore recommend **you accept the remaining underspend options of $87.4m** and allocate these to the operating allowance. You have two options for how to use this headroom. a. You could consider funding the options that Hon Watts has put forward: • We support reprioritising $13.9m of Ara Ake funding towards higher priorities in the Energy portfolios. In particular, [37] EECA support for the gas transition loan scheme ($5.9m), EECA to continue some of Ara Ake's energy innovation programmes ($3m). • You could consider extending the Warmer Kiwi Homes programme for two years ($64.1m) – this option was considered in the Budget 2026 invitation process, but Budget Ministers decided not to invite further funding and let the programme finish when funding expires in 2027/28. • You could consider providing CREF grant funding for solar and battery systems on community sites ($20m), but we have limited information to assess its marginal value. b. You could use this to fund other priorities in the Budget package, including options to increase other energy security measures (which you are separately receiving advice on)

Treasury recommendation	**Indicate** your preferred option for each saving below: • EEECA underspends ($12m): Return and allocate to the capital allowance / Let EECA retain • Remaining underspends ($87.4m): Return and allocate to operating allowances **(Treasury recommended)** / Return and flow through to fiscal indicators **Indicate** if you wish to fund Hon Watts' proposed priorities: • Transferring Are Ake activity to EECA ($3m total operating) – Yes / No [37] • EECA support for Loan Guarantee for gas transition ($5.9m total operating) – Yes / No [37] • Solar and battery on community sites – CREF ($20m total operating) – Yes / No
Referral to other Ministers	**Refer** this to the Minister for Energy: Yes / No

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

<table>
<tr><td>Vote</td><td>Vote Business, Science and Innovation – Public Service</td></tr>
<tr><td>Initiative ID</td><td>17182</td></tr>
<tr><td>Initiative Title</td><td>Managing the Fiscal Liability from the Wellington Consolidation Project</td></tr>
<tr><td>Contact details</td><td><table><tr><td>Lorna Hallett</td><td>Analyst</td><td>[39]</td></tr><tr><td>John Marney</td><td>Manager</td><td></td></tr></table></td></tr>
<tr><td>Issue / advice sought</td><td>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]
[redacted]</td></tr>
<tr><td>Treasury advice</td><td>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] :
[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:<table><tr><th></th><th>26/27 (2% reduction)</th><th>27/28 (5% reduction)</th><th>28/29 (5% reduction)</th><th>[33]</th></tr><tr><td>Extra savings</td><td>$13.7m p.a.</td><td>$34.1m p.a.</td><td>$34.1m p.a.</td><td></td></tr><tr><td>Cumulative</td><td>$13.7m p.a.</td><td>$48.0m p.a.</td><td>$82.3m p.a.</td><td></td></tr></table></td></tr>
<tr><td>Treasury recommendation</td><td>Note Hon Bishop will need to confirm your decision on this initiative separately, given your role as MBIE’s departmental Minister.
[33]

AND</td></tr>
</table>

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

[33]		***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)

[33]. [39]

Vote Customs – Multiple initiatives

Vote	Customs
Initiative ID	17132, 17254, 17369
Initiative Title	17132 – Border Security – Expanding Overseas Disruption of Criminal Networks 17369 – Disestablishment of the Border System Performance Appropriation and Transfer of Funding 17254 – Baseline Reduction and Reprioritisation of Savings – New Zealand Customs Service
Contact detail	Nicole Bares – Analyst [39] Shelley Robertson – Manager
Issue / advice sought	The package currently includes cost pressure funding of \$3.8m p.a. operating and \$19.5m total capital to support Customs' response to border pressures, particularly from transnational and serious organised crime. We are seeking your direction on if you want to fund additional Customs initiatives: • \$1.4 million p.a. for four new overseas liaison officers (Fiji, Columbia, Middle East and Netherlands) to disrupt transnational serious and organised crime. Total costs are around \$2.7m p.a., offset by \$1.3m p.a. of additional third party levy funding. • a fiscally-neutral adjustment that will fund a new Border Sector Strategy group to replace the Border Executive Board.
Treasury advice	**1) We recommend you defer funding additional overseas liaison officers (\$1.4m p.a.).** While liaison roles support intelligence sharing and joint operations, there is limited evidence they directly reduce social harm. Cabinet endorsed the Transnational and Organised Crime Action Plan in December 2025. This is the only initiative from that Plan seeking Budget 2026 funding. Further work is needed to scope, prioritise and sequence actions under the Plan. We recommend deferring this initiative and consider funding at a future Budget, noting that the package currently includes cost pressure funding to address border pressures from transnational and serious organised crime. **Alternatively, you could provide scaled funding of \$0.9m p.a.** to fund only two new liaison roles based in Fiji and Columbia. **2) We recommend you support the requested fiscally-neutral adjustment.** Customs submitted a technical initiative to transfer funding from the Border System Performance Appropriation to support the work of a new Border Sector Strategy group (\$0.7 million p.a.). This funding currently supports the Border Executive Board and related initiatives, so this transfer maintains funding for a similar purpose. **3) We recommend declining Customs' request to retain baseline savings.** Customs has identified [33] p.a. of baseline savings to meet its 2% savings target. Customs propose to reallocate these savings, in part to fund the additional overseas liaison officers outlined above, and in part to fund general cost pressures. We do not recommend doing so, given the intent of baseline reductions to reduce overall expenditure.
Treasury recommendation	Indicate if you wish to: 1) <u>Fund additional overseas liaison officers:</u> Full funding (\$1.4m p.a.) **/** Scaled funding (\$0.9m p.a.) **/** Defer funding **(Treasury recommended)** 2) <u>Support Customs' requested fiscally-neutral transfer to support the new Border Sector Strategy group:</u> Yes **(Treasury recommended)** / No 3) <u>Retain Customs' baseline savings in the package and return these to the centre:</u> Yes [33] p.a. savings) **(Treasury recommended)** / No

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

<table>
<tr><td>Vote</td><td>Finance</td></tr>
<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 [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] [37] annum 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, given it is consistent with how we consider the second-round impacts when financial assets are increased from the allocation of capital allowances and consistency with the treatment of the initial investment. However, if there is a significant asset sale programme in the future which can 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, reducing the need for capital allowances. 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 of Infrastructure Yes/No</td></tr>
</table>

Vote Health – Pharmac – Medicines budget cost pressures

<table>
<tr><td>Vote</td><td>Health</td></tr>
<tr><td>Initiative ID</td><td>-</td></tr>
<tr><td>Initiative Title</td><td>Pharmac – Medicines budget cost pressures</td></tr>
<tr><td>Contact details</td><td>
<table>
<tr><td>Lydia Verschaffelt</td><td>Senior Analyst</td><td rowspan="2">[39]</td></tr>
<tr><td>Jill Caughey</td><td>Manager</td></tr>
</table>
</td></tr>
<tr><td>Issue / advice sought</td><td>At your bilateral with the Associate Minister of Health (Pharmac) on 23 March, you invited advice on funding for possible pharmaceutical supply chain disruption due to conflict in the Middle East (Pharmac and the Ministry of Health’s report; H2026080466).</td></tr>
<tr><td>Treasury advice</td><td>Pharmac notes that the conflict in the Middle Erast could disrupt its procurement, including risks of higher insurance costs, longer / more complex shipping routes, and suppliers prioritising other markets. However, there is no fiscal impact at this time. Noting the current uncertainty, Pharmac and the Ministry have provided these options.
<table>
<tr><th>Options to increase Pharmac’s medicines budget</th><th>Funding option</th></tr>
<tr><td>Option 1: ongoing uplift (based on CPI uplift)</td><td>$27.0m ongoing</td></tr>
<tr><td>Option 2: one-off increase (based on CPI uplift) (Ministry preferred)</td><td>$27.0m 26/27 only</td></tr>
<tr><td>Option 3: one-off scaled increase (Treasury preferred if progressing separate funding instead of a general health cost pressure contingency)</td><td>$13.5m 26/27 only</td></tr>
</table>
Note we do not support any request for departmental FTE as part of this initiative. We recommend you provide a broader health cost pressure contingency funded from the Health Budget 2026 operating envelope (T2026/573 refers). This contingency could cover any health cost pressures arising from the Middle East, including for Pharmac, and health workers reliant on travel (such as midwives and care and support workers). This contingency option would provide you with more optionality on managing health pressures, if and when they arise, and avoid setting a specific precedent with Pharmac.

If your preference is to instead provide targeted Pharmac funding now, we recommend you agree to $13.5m funding for 2026/27 only, held in contingency and charged against the Health Budget 2026 operating envelope. You can confirm the total envelope package in your meeting with the Minister of Health on 1 April.</td></tr>
<tr><td>Treasury recommendation</td><td>a) agree to fund a health cost pressure contingency from the Budget 2026 health envelope, which could provide for any Pharmac cost pressures arising from the Middle East conflict (Treasury recommended); OR
Yes/No

b) agree to provide funding to Pharmac for cost pressures arising from the Middle East conflict of:
i. $27m p.a.
ii. $27.0m one-off contingency funding in 2026/27.
iii. $13.5m one-off contingency funding in 2026/27; OR
Yes/No

c) agree to fund this from the Health Budget 2026 operating envelope.
Yes/No</td></tr>
</table>

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

<table>
<tr><td>Vote</td><td>Justice</td></tr>
<tr><td>Initiative ID</td><td>17061</td></tr>
<tr><td>Initiative Title</td><td>Firearms Reform – Implementing the new Arms Act and establishing Firearms Safety New Zealand</td></tr>
<tr><td>Contact details</td><td><table><tr><td>Emily McCarthy</td><td>Analyst</td><td>[39]</td></tr><tr><td>Shelley Robertson</td><td>Manager</td><td></td></tr></table></td></tr>
<tr><td>Issue / advice sought</td><td>The Law and Order envelope will be revised on light of the fuel situation. However, after your law and order bilateral you asked for further advice on Firearm Reform and this annex fulfils this request.

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.</td></tr>
<tr><td>Treasury advice</td><td>The Treasury recommends scaled funding for regulatory regime and organisational form change
In our previous advice we recommend supporting $20 million total 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. MoJ 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 [38], [33] 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 [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 FSA baseline, ringfenced for conditional expenditure on the ICT investment.</td></tr>
<tr><td>Treasury recommendation</td><td>Indicate if you wish to:
Option A: Exclude this initiative from the package Yes / No</td></tr>
</table>

- **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] [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	-	5.000	5.000	5.000	5.000	20.000	
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** what you wish to do with the $28 million in the FSA baseline:

- 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	**Refer** this annex to the Associate Minister of Justice and Minister of Police *Yes / No*

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 | [39] Shelley Robertson | Manager
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 did not submit an option with total capital 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 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 is also seeking annual average operating funding of $1.6 million, and to cover the remaining [38] [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 prioritized 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.

Treasury recommendation

Indicate if you wish to:

- **Option A:** Exclude the initiative from the current package *Yes / No*
- **Option B:** 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 additional [38] [38] funding requirement to be met from MoJ's balance sheet and baselines. *Yes / No*
- **Option C:** Provide $100 million capital and no operating funding for Rotorua High Court and District Court and Rotorua Māori Land Court, with the with the [38] funding requirement to be met from MoJ's balance sheet and baselines. *Yes / No*
- **Option D***:* Provide $100 million capital funding for Rotorua High Court and District Court and Rotorua Māori Land Court and direct the Secretary of Justice to proceed with a competitive procurement process without any additional self-funding from the MoJ. *Yes / No*

Option	***ID***	***Operating ($m)***						***Total Capital ($m)***
		25/26	***26/27***	***27/28***	***28/29***	***29/30***	***Total***	
A – exclude from package	17352	-	-	-	-	-	-	-
B – partial funding with opex and MoJ self-funding	17352	-	-	0.233	1.399	4.895	6.527	100.000
C – partial funding without opex, and MoJ self-funding [currently reflected in the package]	17352	-	-	-	-	-	-	100.000
D – capped funding [current reflected in the package]	17352	-	-	-	-	-	-	100.000

Referral

Refer this annex to the Minister for Infrastructure *Yes / No*

[33]

Vote Labour Market – Immigration initiatives and fee & levy reviews

Vote	Labour Market (Immigration)
Initiative ID	17298
Initiative Title	Repayable Immigration Funding Package
Contact details	
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

This text refers to the risks from not providing any funding at all for this initiative (Option B in the table).

Core immigration services funding package

This initiative seeks a [33] million 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, significant immediate 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	[33]							Yes/No
Option A (scaled)									Yes/No
Option B (no funding)		-	-	-	-	-	-	-	Yes/No

Vote Police – Police Property Upgrade Programme Phase 1a

Vote	Police
Initiative ID	17101
Initiative Title	Police Property Upgrade Programme Phase 1a
Contact details	Michael Lonergan – Senior Analyst – [39] Shelley Robertson – Manager
Issue / advice sought	**The Law and Order envelope will be revised on light of the fuel situation. However, after your law and order bilateral you asked for further advice on the Police Property Upgrade initiatives and this annex fulfils this request.** 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.
Treasury advice	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] [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.
Treasury recommendation	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

Option	***ID***	***Operating ($m)***						***Total Capital ($m)***
		25/26	***26/27***	***27/28***	***28/29***	***29/30***	***Total***	
Current status in package	17101	-	-	-	-	-	-	-
Option A – Greymouth station	17101		[38]					
Option B – Greymouth station and Whanganui station	17101							

Referral to other Ministers	Refer this to the Minister of Police: Yes/No Refer this to the Minister for Infrastructure: Yes/ No

[33]

Vote Revenue – Research and Development Tax Incentive decisions

<table>
<tr><td>Vote</td><td>Revenue</td></tr>
<tr><td>Initiative ID</td><td>NA</td></tr>
<tr><td>Initiative Title</td><td>Savings from the Research and Development Tax Incentive (RDTI)</td></tr>
<tr><td>Contact details</td><td>
<table>
<tr><td>Sym Pandey</td><td>Senior Analyst</td><td>[39]</td></tr>
<tr><td>John Marney</td><td>Manager</td><td></td></tr>
</table>
</td></tr>
<tr><td>Issue / advice sought</td><td>
You have requested additional information on firms claiming internal non-administrative software expenditure exceeding $3 million under the RDTI, along with examples of their activities.
We understand you may also be reconsidering the proposed expenditure options requested by the Minister of Science, Technology, and Innovation and the Minister of Revenue. We have included updated costings for these options to confirm your decisions.
</td></tr>
<tr><td>Treasury advice</td><td>
Excluding or reducing the current cap on internal software expenditure from $25 to $3 million
Excluding internal software expenditure entirely or lowering the cap from $25 to $3 million would have a limited economic impact as this form of expenditure generates fewer spillover benefits compared to other types of R&D activities. The Treasury and Inland Revenue (IR) recommend fully excluding internal software expenditure, as this would also reduce compliance and administrative costs for both IR and businesses given the difficulties in accurately identifying eligible expenditure. Further details on the anticipated impacts to firms of both options are provided below.
Impact on firms from excluding software expenditure (savings of $45.8 million per annum) (Treasury and IR preferred)
In 2024 (the most recent year of available data), 135 out of 997[1] firms claimed internal software development expenditure under the RDTI. Since the introduction of the scheme in 2019, 351 firms have claimed internal software expenditure, across a diverse range of industries (outlined in Table 1). Over one-third of these firms are concentrated in the scientific, technical, and specialist services sector. However, many of the remaining firms are more software-intensive rather than R&D-intensive, with the latter being associated with greater spillover benefits. If internal software expenditure were excluded entirely, it would have a material impact on the firms currently claiming this expenditure. For more than half of these firms, internal software accounts for over 90% of their eligible RDTI expenditure.
Impact on firms from reducing the cap to $3 million (savings $24.8 million saving per annum)
Only 37 firms have exceeded the $3 million threshold in a single year since the scheme's inception. These firms have been predominantly concentrated in the financial services sector (10 firms) and the utilities sector (6 firms). They tend to be larger, well-established, incumbent firms. In 2024 (the most recent year of available data), 21 firms exceeded the $3 million threshold, indicating the number of firms claiming significant expenditure for internal software has been rising. Due to commercial sensitivities and taxpayer confidentiality, IR is limited in the examples of expenditure it can disclose. However, the R&D activities among the largest internal software expenditure claimants can generally be characterised as integrating information from various sources to deliver insights to customers [40] .
While the number of affected firms from reducing the cap is significantly smaller compared to the option of excluding internal software expenditure entirely, it would still have a notable impact on firms currently claiming amounts above this threshold. In 2024, 10 out of the 21 firms with internal software expenditure exceeding $3 million would have seen their R&D tax credits reduced by approximately 50% if the lower cap had been implemented.
Portfolio Ministers proposed adjustments
</td></tr>
</table>

[1] This data is 95% complete, 63 returns are still being processed, 997 have been approved.

We do not recommend the adjustments proposed by portfolio Ministers. Although they may lead to a modest increase in uptake, they are unlikely to enhance value for money, better support high-quality R&D, or reduce the compliance burden of the RDTI.

Inland Revenue has provided updated costings for one of the proposed adjustments (In-year payments). While In-year payments were initially modelled to include only departmental costs, IR have now accounted for the possibility that loss-making firms may be unable to repay these payments. Consequently, the scheme is now projected to incur additional non-departmental costs bringing the total cost to $6.40 million per annum OPEX and $2.10 million total CAPEX.

Treasury recommendation

1Indicate your decisions in the table below

Option	Fiscal impact ($)	Decision
Savings		
Exclude non-administrative internal software expenditure from RDTI (recommended)	(45.80) per annum OPEX	Agree / disagree
Reduce cap for non-administrative expenditure from $25 million to $3 million	(24.80) per annum) OPEX	Agree / disagree
Portfolio Ministers' proposed adjustments		
Implement in year payments	6.40 per annum OPEX 2.10 total CAPEX	Included / do not include (recommended)
Implement Commissioners' discretion	2.50 per annum OPEX	Included / do not include (recommended)
Implement relaxing mining exclusions	0.40 per annum OPEX	Included / do not include (recommended)

Table 1. Types of firms which have claimed internal software expenditure since 2019

Firms which claim more than $3 million for internal software expenditure		**All firms which claim internal software expenditure**	
Type of firm	**Number of firms**	**Type of firm**	**Number of firms**
Financial services	10	Scientific, technical and specialist services	105
Electricity, gas, water and waste services (utilities)	6	Professional services (legal, accounting, consulting)	57
Manufacturing (food and non food)	5 or less	Information media and telecommunications	51
Information media and telecommunications	5 or less	Other manufacturing (non-food)	36
Scientific, technical and specialist services	5 or less	Banking and deposit-taking institutions	15
Transport services (road, rail, air and water)	5 or less	Other financial services (non-bank)	15
Wholesale trade	5 or less	Retail trade	12
Agriculture	5 or less	Food, beverage and tobacco manufacturing	9

Firms which claim more than $3 million for internal software expenditure		All firms which claim internal software expenditure	
Type of firm	**Number of firms**	**Type of firm**	**Number of firms**
Construction services	5 or less	Electricity, gas, water and waste services (utilities)	9
Public administration and safety	5 or less	Wholesale trade	9
		Construction services	6
		Transport services (road, rail, air, water)	6
		Postal, courier and warehousing services	6
		Education and training	6
		Agriculture	5 or less
		Mining and resource extraction	5 or less
		Accommodation and food services	5 or less
		Rental, hiring and real estate services	5 or less
		Administrative and support services	5 or less
		Public administration and safety	5 or less
		Health care and social assistance	5 or less
		Arts, recreation and cultural services	5 or less
		Other personal and community services	5 or less
Total	**37**	**Total**	**351**

Vote Social Development – Dame Karen Poutasi Response

<table>
<tr><td>Vote</td><td>Social Development</td></tr>
<tr><td>Initiative ID</td><td>17202</td></tr>
<tr><td>Initiative Title</td><td>Dame Karen Poutasi Response</td></tr>
<tr><td>Contact details</td><td><table><tr><td>Callum Finn Reason</td><td>Analyst</td><td>[39]</td></tr><tr><td>Claire Howard</td><td>Unit Manager</td><td></td></tr></table></td></tr>
<tr><td>Issue / advice sought</td><td>The Dame Karen Poutasi Response, as currently included, in the Budget package will fund:
Health NZ to join the Child Protection Protocol;[2]
the initial roll-out of mandatory training for 20,000 core children’s workers; and
volume pressures for Oranga Tamariki (OT) to respond to additional Reports of Concern (ROCs).
We have identified two opportunities to scale this initiative, given additional information from the Ministry of Social Development (MSD) and following your decision about scaling OT’s ROC volume pressure [Initiative 17127, TR2026/458 refers]. We seek your agreement to make the corresponding changes to the Budget package.</td></tr>
<tr><td>Treasury advice</td><td>We recommend you agree to scale this initiative using both opportunities outlined below (Option B). These are low-risk mechanisms to reduce the impact on Budget allowances, without impacting delivery.
Partially offsetting Health NZ funding with a one-off underspend ($5.5m in 2025/26): MSD will receive $5.5m as one-off revenue from Health NZ in 2025/26, following an underspend by the South Auckland Social Wellbeing Board. We recommend reprioritising this funding towards Health NZ’s component of the Dame Karen Poutasi Response, which seeks funding for Health NZ to join the Child Protection Protocol ($2.4m p.a.).
Applying OT cost pressure scaling [33] following your decisions about scaling Oranga Tamariki’s ROC volume pressure, the same approach to scaling can be applied to OT funding sought as part of the Dame Karen Poutasi Response. This would reduce OT funding by $1.7m per annum. Scaling is realised by staggering recruitment, [38] [38] and moderating some assumptions about the translation rate of ROCs through the care and protection system (e.g. the rate of ROCs that translate to children coming into care).</td></tr>
<tr><td>Treasury recommendation</td><td>Indicate your preference for:
Option A – Keep this initiative unchanged in the package: Yes/No
Option B – Scale the initiative by reprioritising MSD underspends and applying OT cost pressure scaling (Treasury recommended): Yes/No
<table><tr><th rowspan="2">Option</th><th rowspan="2">ID</th><th colspan="6">Operating ($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 package status (Option A)</td><td>17202</td><td>-</td><td colspan="5" rowspan="2">[33]</td><td>-</td></tr><tr><td>Further scaling (Option B)</td><td>17202</td><td>-</td><td>-</td></tr></table></td></tr>
</table>

[2] The Protocol between OT and NZ Police that outlines the process for joint responses to instances of child abuse.

Vote Tertiary Education Price Pressures – Tuition and Training Subsidy and Fees Increase

Vote	Tertiary Education
Initiative ID	17236
Initiative Title	Tertiary Education Price Pressures – Tuition and Training Subsidy and Fees Increase
Contact details	Isabel Dunne – Analyst Mark Hodge – Unit Manager [39]
Issue / advice sought	During the Tertiary Education Budget 2026 multilateral meeting on 24 March, the Minister for Vocational Education requested you consider funding a 1% cost adjustment to foundation education funding rates. You agreed to considering this request.

Treasury advice

The current budget package for Tertiary Education <u>does not</u> include any cost adjustments for tuition subsidies or funding rates. The package <u>does</u> include funding for a 6% increase in the Annual Maximum Fee Movement (AMFM), which regulates the fees that learners pay.

At the multilateral meeting, the Minister for Vocational Education proposed a 1% increase to foundation education tuition rates. This presents a scaled down version of what Treasury supported initially (a 2% increase to foundation education funding rates, instead of the 2.1% subsidy increase targeted to priority areas as submitted by Tertiary Ministers). This was removed from the Budget package following a request from you to scale down overall cost pressure funding for tertiary education. Our follow-up advice prioritised funding for volume cost pressures, and moving the cost from the Crown to learners, and therefore did not provide an option for highly targeted funding rate increases.

We recommend supporting funding for an increase to foundation education funding rates by 1% at a minimum. Foundation education supports people who have been underserved by the compulsory education system to reengage with the education system and into further vocational education, training or employment. The increase in the AMFM does not benefit foundational education providers, as learner fees cannot be charged for the majority of foundation education provision (except for Adult and Community Education, where very low fees may be charged). An increase to foundation education funding rates would support the financial viability and quality of this provision and mitigate the risk that providers cut foundation education provision.

If you wish to increase foundation education funding rates, there are two main scaling options:

Option A: 1% increase, ($2.963 million p.a.)

Option B: 2% increase, ($5.926 million p.a.).

Note that:

- At the multilateral meeting, you indicated you were interested in options for reprioritising final-year Fees Free to increase support to fees free vocational education and trades training, such as Youth Guarantee. Increasing foundation education funding rates could be a way to achieve this.
- Discontinuing final-year Fees Free would reduce funding required for the 6% AMFM increase (currently in the package to be funded at $34.502 million over the forecast period). This would therefore provide additional headroom to fund a 2% increase to foundation education funding rates.
- A 2% increase, in line with long-term inflation expectations, is consistent with previous Budget funding and will reduce future cost pressures in foundation education.

Treasury recommendation

Indicate if you want to amend this initiative to:

Option	***ID***	***Operating ($m)***						***Decision***
		25/26	***26/27***	***27/28***	***28/29***	***29/30***	***Total***	
Option A – 1% increase	17236	-	1.7	3.4	3.4	3.4	11.9	Yes / No
Option B – 2% increase	17236	-	3.4	6.8	6.8	6.8	23.8	Yes / No
Option C – current status	17236	-	-	-	-	-	-	Yes / No

Vote Business, Science and Innovation – Return of COVID-19: Infrastructure Cost Overruns and Reprioritisation - Tagged Operating Contingency

Vote	Business, Science and Innovation
Initiative ID	TBC
Initiative Title	Return of Tagged Contingency - COVID-19: Infrastructure Cost Overruns and Reprioritisation
Contact details	Rachel Bishop – Senior Analyst [39] May Guise – Unit Manager
Issue/ advice sought	$18.5 million across the forecast period currently remains in the tagged contingency for the Infrastructure Reference Group (IRG) Shovel Ready programme, the COVID-19: Infrastructure Cost Overruns and Reprioritisation - Tagged Operating Contingency. The programme is closing, with most remaining projects due to complete construction by the end of 2026, and the tagged contingency is due to expire in June 2026. In November 2025, National Infrastructure Funding and Financing (NIFFCo) recommended to its Shareholding Ministers (the Minister of Finance and Minister for Infrastructure) that the $18.5 million remaining in the tagged contingency could be returned to the centre as this would have a positive impact on future forecasts of OBEGALx. Returning funding to the centre is the standard Public Finance practice for tagged contingencies. However, you may want to manage the impact against the operating allowance instead, to give you more flexibility within operating allowances for the Budget 2026 package.
Treasury advice	The Treasury supports this funding being returned, and for the return to be managed against the Operating Allowance. However, you may alternatively wish to use the return to improve the fiscal indicators.
Treasury recommendation	**Indicate** your preference for treatment of $18.5 million residual COVID-19: Infrastructure Cost Overruns and Reprioritisation funding: • **Option A:** Let the impact positively flow through to OBEGALx Yes/No • **Option B**: Manage the surplus against the Budget 2026 operating allowance: Yes/No. **Refer** your preference of the fiscal treatment of the above funding to the IRG ministers (Minister Bishop and Minister Jones).

Vote Health – Capital Charge

Vote	Health
Initiative ID	17291
Initiative Title	Capital Charge
Contact details	Lydia Verschaffelt — Senior Analyst — [39] Jill Caughey — Manager
Issue/ advice sought	At the Health Bilateral on 10 March, you and the Minister of Health agreed to exempt Health NZ from capital charge from 2026/27 onwards. This advice sets out the legal and financial next steps required to enact this decision.
Treasury advice	**Financial next steps** You and the Minister of Health have recently received a paper from the Ministry of Health on capital charge (*H2026079003*) which seeks your agreement to: • drawdown $39m of capital charge funding for Health NZ in 2025/26; and • return the remaining $105.7m contingency funding provisioned for this purpose to the centre. The health capital charge contingency will then be closed. We recommend you support this paper and sign as requested. The Ministry of Health will also submit an initiative to return the capital charge funding in Health NZ's baseline to the centre. This will be transacted through the significant financial recommendation process and confirmed as part of your Budget 2026 package. **Legislative next steps** As per section 166 of the Crown Entities Act 2004 (the Act), as the Minister of Finance, you must consult with the statutory entity before notifying the entity that it is subject to a capital charge. As per section 48 of the Legislation Act 2019, you must then do the same when disapplying this action. We recommend that you delegate this responsibility to Treasury so we can consult with Health NZ on your behalf. Following consultation, we will provide you with any feedback received from Health NZ and seek a final decision. If you agree to disapply the charge, we will provide you with a letter to send to the Minister of Health and Health NZ officials notifying them of this. We will also provide you with a notification to present to the House of Representatives, which is also required under the Act.
Treasury recommendation	**Agree** to delegate the above responsibility to Treasury to consult with Health New Zealand on your behalf, with the Treasury to return any feedback for your consideration before making a final decision. *Yes / No*

Vote Housing and Urban Development – Tāmaki Regeneration Company Delivery Commitments and Budget 2026 Savings Opportunities

<table>
<tr><td>Vote</td><td>Housing and Urban Development</td></tr>
<tr><td>Initiative ID</td><td>17548</td></tr>
<tr><td>Initiative Title</td><td>Tāmaki Regeneration Company Delivery Commitments and Budget 2026 Savings Opportunities</td></tr>
<tr><td>Contact details</td><td>
<table>
<tr><td>Nina Shepherd</td><td>Analyst</td><td>[39]</td></tr>
<tr><td>Amanda Wilson</td><td>Unit Manager</td><td></td></tr>
</table>
</td></tr>
<tr><td>Issue / advice sought</td><td>Advice on Tamaki Regeneration Company (TRC) savings, and options for how you manage these.</td></tr>
<tr><td>Treasury advice</td><td>
In a Joint Ministers briefing [HUD2025-008192] you and the Minister of Housing, Hon Chris Bishop, took decisions on options for Tamaki Redevelopment Company (TRC) delivery commitments and savings for Budget 2026.
You agreed to extend TRC's existing funding to 2028/29 to maintain a pipeline of delivery [33] [33] You additionally agreed to reprofile 95 uncommitted Shared home Ownership homes to other types of housing stock (market and affordable rentals). As a result, $23m total operating in savings opportunities were identified.
Table 6: Funding profile and proposed savings opportunities [10]
<table>
<tr><th>Funding profile</th><th>2023/24 [$M]</th><th>2024/25 [$M]</th><th>2025/25 [$M]</th><th>2026/27 [$M]</th><th>2027/28 [$M]</th><th>2028/29 [$M]</th><th>Total [$M]</th></tr>
<tr><td>Equity subscription</td><td>62.0</td><td>98.0</td><td>165.0</td><td>254.0</td><td>291.0</td><td>-</td><td>870.0</td></tr>
<tr><td>Revised Drawdown Profile</td><td>65.0</td><td>98.0</td><td>300.0</td><td>180.0</td><td>133.0</td><td>71.0</td><td>847.0</td></tr>
<tr><td>Difference</td><td>(3.0)</td><td>-</td><td>135.0</td><td>74.0</td><td>158.0</td><td>(71.0)</td><td>23.0</td></tr>
</table>
Savings opportunity
Through Budget 2023 Cabinet approved an equity injection of $870m of financing funding for TRC. To reflect the above $23m in savings, HUD have put up advice [HUD2026-009321] to amend TRC shared subscription agreement to reduce the amount of funding from $870m to $847m.
You have two options on how you could manage this savings:

Option A (recommended): Inclusion in Budget 2026 allowances. You could decide to add these savings to the Budget 2026 operating allowances. This would be consistent with the principles of the fiscal management approach as there has been an active decision to reprofile a portion of TRCs delivery resulting in savings.
Option B: Flow through to the fiscal indicators. Alternatively, you could decide to flow these savings through to hit OBEGALx. This could contribute to mitigating the OBEGALx impact from the ~$500m Income Related Rent subsidy (IRRS) forecasting issue.

We recommend option A. While flowing the savings through to the fiscal indictors would improve OBEGALx, an active savings decision was made, and, therefore, this funding should be available to manage against Budget allowances as this encourages Departments to continue to find savings where they are available.
</td></tr>
<tr><td>Treasury recommendation</td><td>
Indicate your preference:

Option A: Count the savings in the Budget 2026 allowance: Yes/No
Option B: Flow saving through to the fiscal indicators: Yes/No.

</td></tr>
</table>

Vote Internal Affairs – Baseline Reduction – Department of Internal Affairs

<table>
<tr><td>Vote</td><td>Internal Affairs</td></tr>
<tr><td>Initiative ID</td><td>17144</td></tr>
<tr><td>Initiative Title</td><td>Baseline Reduction – Department of Internal Affairs</td></tr>
<tr><td>Contact details</td><td><table><tr><td>Frederick Thursfield</td><td>Analyst</td><td rowspan="2">[39]</td></tr><tr><td>Amanda Wilson</td><td>Unit Manager</td></tr></table></td></tr>
<tr><td>Issue / advice sought</td><td>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] 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
$1.007 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.</td></tr>
<tr><td>Treasury advice</td><td>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.</td></tr>
<tr><td>Treasury recommendation</td><td>Indicate if you want to amend this initiative to:
Option A: Amend this initiative to include the additional savings (Treasury recommended): 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>17144</td><td>-</td><td>(5.5)</td><td>(5.5)</td><td>(5.5)</td><td>(5.5)</td><td>(22.0)</td><td>-</td></tr><tr><td>Option A</td><td>17144</td><td>(3.0)</td><td>(5.516)</td><td>(5.5)</td><td>(5.5)</td><td>(6.5)</td><td>(26.1)</td><td>-</td></tr></table></td></tr>
</table>

Vote Labour Market (Immigration) – Update to funding request for increased compliance activity

Vote	Labour Market (Immigration)
Initiative ID	17522
Initiative Title	Increasing Immigration Compliance and Investigations and Labour Inspectorate capacity
Contact details	Anastasia Wilkes – Analyst [39] John Marney – Manager
Issue/ advice sought	Following a letter from the Minister of Immigration on 2 March, you invited the Minister to submit an initiative for new funding to support increased immigration compliance activity. The submitted initiative seeks $18 million over the forecast period, higher than the original request which was for $14.8 million. This annex seeks agreement to the higher funding request.
Treasury advice	The original funding request contained modelling errors, meaning the $14.8 million originally requested is lower than what is actually required to hire three teams of 22 FTE total to increase compliance activity. The updated funding request factors in upfront and overhead/associated costs, which Ministry of Business, Innovation and Employment (MBIE) did not fully account for. These include: an associated increase in compliance and deportation-related costs, personnel costs including KiwiSaver, personnel specific Information and Communications Technology and infrastructure costs. The funding profile has been increased in the first year due to a need for upfront capex for technology. We consider the activities supported by this funding request to be in the Crown's interests. We recommend you support including the updated funding request in the Budget package. **Sustainable funding for Compliance** MBIE's next Fee and Levy Review will provide an opportunity to review the level of funding for investigations, compliance, and Labour Inspectorate activity. As part of the next review, MBIE will consult with stakeholders, including possible new levy-payers. If decisions are made in the next Fee and Levy Review that create additional funding for these activities, Crown revenue could be returned. Backlog pressures are now being managed through a digitisation work programme. This is enabled through increased use of automation and analytics to improve triaging of high volume workstreams. This work programme has introduced an early intervention model aimed at advising and reminding clients of their obligations to encourage self-regulation. The model aims to supports frontline staff to spend more time undertaking investigations and compliance activities.
Treasury recommendation	**Note** the submitted budget initiative is $3.2 million higher than originally requested, due to modelling errors in the original request **Indicate** whether you support including the updated funding request in the Budget package:

Options	***25/26***	***26/27***	***27/28***	***28/29***	***29/30***	***Total ($m)***	***Indicate***
Updated request	-	4.7	4.4	4.4	4.4	18	Yes / No
Original request	-	3.7	3.7	3.7	3.7	14.8	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 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:*** Include this fiscally neutral initiative in the Budget 2026 significant package: Yes/No. *(Treasury recommended)* • ***Option B:*** Remove this initiative from the Budget 2026 process: Yes/No.

[33]

[33]

Vote Transport – Late invite requests

Vote	*Transport*
Initiative ID	*N/A*
Initiative Title	*N/A*
Contact details	*Lorenzo Malavisi* | *Analyst* [39] *Amanda Wilson* | */Unit Manager*
Issue / advice sought	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.
Treasury advice	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. 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.
Treasury recommendation	**Indicate** if you want to invite: • **Option A**: Membership of International Organisations: *Yes/No* • **Option B**: Stewardship of underground assets in infrastructure corridors: *Yes/No*. If you agree to invite these two bids, we recommend your office communicate this to Hon Bishop's office.

Annex 5: Revised timeline to Budget Day

Monday, 30 March	Tuesday, 31 March	Wednesday, 1 April	Thursday, 2 April	Friday, 3 April
Letters sent to portfolio Ministers re revised	Welfare bilateral	Health bilateral Education bilateral	Advice on non-envelope initiatives	Good Friday
Monday, 6 April	**Tuesday, 7 April**	**Wednesday, 8 April**	**Thursday, 9 April**	**Friday, 10 April**
Easter Monday	Agencies submit revised envelopes / reprioritisation options by 5pm	PM meeting on Budget 2026		Material sent to Budget Ministers for BM3 Advice on revised envelopes
Monday, 13 April	**Tuesday, 14 April**	**Wednesday, 15 April**	**Thursday, 16 April**	**Friday, 17 April**
New Budget Ministers 3 date	You are away at the IMF/World Bank Spring meetings this week			
Discussion on revised envelopes.				
Monday, 20 April	**Tuesday, 21 April**	**Wednesday, 22 April**	**Thursday, 23 April**	**Friday, 24 April**
Material sent to Budget Ministers for BM4		**Proposed date for Budget Ministers 4**		You are in Australia meeting with Treasurer Chalmers
Monday, 27 April	**Tuesday, 28 April**	**Wednesday, 29 April**	**Thursday, 30 April**	**Friday, 1 May**
ANZAC Day (observed)				**Cabinet paper lodged**
Monday, 4 May	**Tuesday, 5 May**	**Wednesday, 6 May**	**Thursday, 7 May**	**Friday, 8 May**
You are likely to be in Singapore for Leadership Forum	**New date for Cabinet approving Budget package (sometime this week)**			

Annex 6: Interaction between Public Service Transformation Cabinet Paper and the Baseline Reduction Programme

1. You have received a joint report back from the Public Service Commission and the Treasury on the implementation of Public Service Transformation [MoSR 2026-0090 refers]. This advice complements that report and focuses on the interaction between baseline reductions and workforce targets in the context of Budget 2026.

2. We understand that the paper on Public Service Transformation will be considered by Cabinet on 7 April.

There is a strong interdependency between the baseline reduction programme and the public service transformation programme

3. The baseline reduction programme sets the fiscal objective, requiring agencies to identify and deliver sustainable savings, while FTE targets introduce a system-wide constraint that will – in many cases – drive this reduction through workforce savings.

4. This relationship will not be uniform across all agencies. Some agencies, particularly those with a high proportion of non-departmental expenditure, will need to identify savings beyond public service workforce changes to meet their baseline reduction targets. This reinforces the need to maintain the baseline reduction programme as the primary fiscal mechanism.

Revisiting scope decisions for select agencies

5. [33]
[33] If you agree to this proposal, we consider that there is a strong case to include some agencies currently excluded from all or some of the baseline reduction.

6. Including the following agencies would increase the average annual savings of the 10% baseline reduction programme by around [$168 million], bringing total savings to around $550 million. If these exclusions are maintained, the programme is expected to deliver approximately $382 million per annum in savings. The agencies are:

   - The Department of Prime Minister and Cabinet (approximately $3 million average per annum, or $4 million once fully implemented);
   - the Ministry of Foreign Affairs and Trade (approximately $95 million average per annum, or $152 million once fully implemented); and
   - the Ministry of Social Development (who are currently excluded from making reductions in 2027/28 [T2025/2599 refers]) (approximately $70 million average per annum, or $94 million once fully implemented)

7. These agencies were originally excluded because they were receiving an uplift at Budget 2026 or because they had ongoing transformation programmes. However, as these agencies will be asked to make FTE reductions that would result in savings, including them within the scope of the baseline reduction programme would ensure that those savings flow to the centre.

8. We continue to see a case for excluding envelope agencies from the baseline reduction programme as without significant policy change, these agencies will still require funding for cost pressures in future budgets. Savings made through FTE reductions will primarily decrease the amount of new funding required for these agencies in future budgets, as these savings can be reprioritised towards cost pressures.

Implementation of baseline reduction programme

[33]

11. Plans and initiatives to give effect to savings from baseline reductions changes could either be transacted through Budgets 2027 and 2028, or as a process alongside future phases of the transformation programme. We will provide you with further advice on this in due course.

Communications

12. For Treasury to reflect the fiscal impact centrally through the fiscal forecast, you will also need to communicate via letters specific rates of reductions to agencies (or you could alternatively agree these through the Budget Cabinet paper).

13. We understand that you and the Minister for the Public Service intend to publicly announce the FTE target and baseline reductions following Cabinet agreement to the public service transformation work programme on 7 April. If you wish to proceed with this, we will provide you with a draft letter for your consideration to be sent to Ministers outlining [33] and baseline reduction targets (if applicable).

Recommended actions

We recommend that you:

a **agree** to include the following agencies in the baseline reduction programme from 2027/28; and

   i. Department of Prime Minister and Cabinet *(Agree / Disagree)*
   ii. Ministry of Foreign Affairs and Trade *(Agree / Disagree)*
   iii. Ministry of Social Development *(Agree / Disagree)*

b **agree** to jointly send a letter alongside the Minister for the Public Service to communicate [33] and baseline reduction targets to agencies following Cabinet agreement to the Public Service Transformation paper.

   Agree / Disagree

Annex 7: Talking points for 30 March Cabinet on changes to Budget Process to respond to the fuel price shocks.

Talking points for 30 March Cabinet on changes to Budget Process to respond to the fuel price shocks.

Key messages

- The current global environment, particularly rising fuel prices, means I will need to adapt the approach to Budget 2026 to address new and emerging cost pressures.

- I remain committed to fiscal discipline and delivering on our fiscal strategy, including getting debt on a downward trajectory towards 40 per cent of GDP.

- At the same time, it is clear we will need to respond to the challenges introduced by fuel price increases, including cost pressures in priority public services (such as law and order and education), as well as cost of living challenges facing New Zealanders.

Budget Process

- Shortly, I will be writing to Ministers to outline my expectations for how we adapt the Budget to respond to fuel-driven cost pressures.

- For most portfolios, I expect agencies to manage these costs within baselines. I will accept further reprioritisation initiatives into the Budget process where reprioritisation is used:

    - To offset fuel-price driven cost pressures;

    - To fund energy security measures that will improve resilience against future shocks, and

    - For capital cost escalations that are a direct result of the fuel situation, and would require funding in the 2025/26 financial year.

- Ministers in priority areas that have been provided with funding envelopes will have the opportunity to reconsider the composition of their existing envelopes. I expect these Ministers to consider deferring new, discretionary expenditure to fund cost pressures arising from fuel-price increases.

- In some areas where fuel price-driven cost pressures are particularly acute, I am open to considering providing additional targeted funding. I expect in these instances Ministers and their agencies will first work to find reprioritisation options to minimise the amount of funding required.

- I also expect that Ministers will consider what practical actions can be taken by their agencies or funded services to reduce fuel demand in a sensible manner.

- It is important we ensure core services continue to be delivered, and we are not reducing essential service levels simply to reduce fuel demand.

- I will also be reconsidering the composition of savings and expenditure within the Budget to ensure these remain appropriate within the current context.

- I have also commissioned advice on possible business support measures within the Fuel Plan framework.

Timing and Next Steps

- To continue making progress on the Budget process at pace, I will be asking that any information to fulfil the requests above be provided by midday Tuesday 7 April.

- This process change also means I will be bringing the Budget for consideration by Cabinet later than originally planned. I now intend to present the Budget package to Cabinet in early May.

- Thank you for your support as we adapt Budget 2026 to respond to the current global environment.