The Treasury

Budget 2026 Information Release

September 2026

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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TE TAI ŌHANGA
THE TREASURY

Reference: T2026/660 SH-1-8-M136631

Date: 31 March 2026

To: Minister of Finance (Hon Nicola Willis)

Deadline: None
(if any)

In Between Travel (IBT) scheme support options

Purpose

You wish to provide an increase to the in-between travel (IBT) scheme to support health and care workers with rising fuel costs. This paper is intended to help inform decisions on options to temporarily increase the scheme at the Economic Security Ministerial Oversight Group (MOG) on 1 April 2026. It should be read alongside the Ministry of Health's paper *Changes to settings to the In Between Travel and National Travel Assistance schemes* and our previous advice *In Between Travel (IBT) scheme support* (T2026/645).

In between travel (IBT) scheme

Funding timeframe

We note your intention to provide increased IBT support for 12 months or until the price of 91 octane petrol drops below $3 for four consecutive weeks, whichever comes first. This decision aligns with the design of in-work tax credit support.

Given the 12-month period, **and the fuel price forecast in Treasury's near final BEFU economic forecast** (see below), it is even more important that communication is clear that the measure is temporary and that there are clearly stated off-ramps (such as the four consecutive week provision above).

Funding level - Any temporary increase in the IBT rate should be well below 50%

If Ministers do wish to increase the IBT rate on a temporary basis, Treasury supports a **10-20% increase**.

This is for four reasons.

- First, the **increase in petrol costs since the IBT rate was last updated in March 2022 is approximately 19%** (see Table 1 below).

- Second, **Treasury's near-final BEFU forecast is for average fuel prices in the next 12 months to be $2.99**.[1] This is less than current prices and is only 3% higher than the average price when IBT was last increased in March 2022 ($2.89) (see Table 1 below).
    - In addition, Treasury's near final economic forecast is for the fuel price to have dropped below $3 for four consecutive weeks – triggering the end of the IBT increase (and the In-Work-Tax-Credit increase) – by approximately the end of Q3 2026.
    - These economic forecasts are Budget Sensitive, and you will receive a Treasury report updating you them on the week beginning 7 April.

Table 1. 91 Octane Fuel Price Comparison

Date	Average fuel price	% change from when IBT was last increased in March 2022
March 2022 – last time IBT was increased	$2.89	N/A
30 March 2026 - yesterday	$3.43	18.7%
1 April 2026 – 1 April 2027 (*Treasury near-final forecast average*)	$2.99	3.4%
Treasury scenario 2 (*oil price = $135 per barrel*)	$3.93	36%

- [33]

- Four, **the IBT scheme includes a 6% margin to providers** (which we understand is often to cover the cost of manually making claims). The 6% margin could be withheld on the increased payment to ensure that all additional funding flows directly to workers. This would also help mitigate the risk around the increased support being difficult to unwind. You may want to discuss this component of the IBT with the Minister of Health.

- We also note that there is variation in provider size (impacting their ability to absorb extra cost) and the criticality of services provided, which gives providers some flexibility to prioritise more critical services.

[1] Average price in 12 months from 1 April 2026 to 1 April 2027. Per Treasury's near-final Budget Economic and Fiscal Update (BEFU) forecast.

Fiscal implications of an increase to the IBT rate

The current IBT rate used by Health NZ and the Ministry of Social Development is $0.635 per kilometre, ACC uses a rate of $0.7 per kilometre. Table 2 outlines the fiscal implications of lifting these rates 10, 20, 30 and 50%.

Table 2. Overview of different IBT financial implications

Agency	Financial implications ($m) of IBT increases (assumes 12-month duration)			
	10% increase	**20% increase**	**30% increase**	**50% increase**
Health NZ	7.00	14.00	21.00	35.00
MSD	1.90	3.81	5.71	9.52
ACC	2.86	5.71	8.57	14.28
Total	**11.76**	**23.52**	**35.28**	**58.80**

Funding source

Table 3. Proposed funding sources for the IBT increases

Agency	Funding source	Additional comments
Health NZ	Budget 2026 Vote Health operating envelope	• Given the relatively small quantum (see table 2 above), and the space left in the health operating envelope, we think this is the most appropriate source. • T2026/573 provides updated advice on the health Budget 2026 package. • You can discuss this with the Minister of Health at your bilateral on 1 April ahead of MOG.
MSD	Within baselines	• New funding through the Budget 2026 operating allowance; or • You could partially transfer some of MSD's proposed $200m underspend for Budget 2026.
ACC	Within baselines	• We consider that ACC can cover the increase through reprioritisation, given how small the quantum is.

Messaging to manage broader precedent setting risk

There is a risk that as this is the 'first cab off the rank' for support to the social sector workforce, any decision on ITB will generate expectations of other support for the social sector and set a precedent impact. Clear communication can help manage but will not completely mitigate this risk.

What makes the IBT distinct from other groups?

The IBT scheme sets out how home and community support workers are compensated for travel spent between seeing clients. Unlike some other providers and schemes our understanding is that:

- IBT reimbursements flow directly through to the worker via the provider (rather than being set/managed by the third-party provider).

- IBT is reimbursed at a specific rate that has not been updated since 2022 (as opposed to the IRD rate for example which is based on the vehicle running costs over the prior 12 months).
- In other cases, how providers reimburse fuel/transport costs is dealt with by the provider rather than the government setting a rate. Providers and agencies can renegotiate terms to reflect increased costs in fuel and have this flow through to workers (acknowledging there may be funding constraints in agency baselines). However, this is different for Oranga Tamariki caregiver travel costs, which are paid directly to caregivers by Oranga Tamariki at a set rate.

Challenges with the IBT scheme

As noted above, the 2024 Sapere Review of Aged Care and Funding Models noted funding incentive challenges inherent in the "problematic" IBT scheme and that it presented an uncapped liability to the government.[2] [33]

Precedent impact and work with other agencies

Providing funding via the IBT could create funding expectations, particularly for providers with in-service travel costs and providers with broader cost pressures (T2026/645 refers). We have requested more detail from agencies (noting Budget sensitivities) on similarly situated funded sector workers who are not covered by the IBT scheme and will provide you with this as back pocket material ahead of the MOG meeting.

The Ministry of Social Development is also working on a Funded Social Sector Framework to help progress a consistent and coordinated approach to responding to social sector impacts for third party providers arising from the fuel situation. We suggest that you request a report back on this work.

National Travel Assistance scheme

The Ministry of Health's MOG advice also seeks agreement to a temporary increase to the National Travel Assistance (NTA) scheme. The Ministry's advice is not clear what would be funded from a NTA increase (i.e. whether it is to cover increased costs of airfares or taxis or to increase the per kilometre rate for private vehicles, or a combination of these). **We do not consider this request urgent and do not support provide increased NTA funding.**

Next steps

- We will provide you with a high-level annex on 1 April with more detail on similarly situated funded sector workers who are not covered by the IBT scheme.

[2] A-review-of-aged-care-funding-and-service-models-2024.pdf.

- If you wish to table alternative recommendations at MOG to reflect our advice above, we can provide these to your office on 1 April. These would reflect:

  (a) a lower temporary increase in the IBT rate;
  (b) an offramp when the price of 91 octane petrol drops below $3 for four consecutive weeks; and
  (c) not supporting an increase in NTA funding.

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