The Treasury

Budget 2026 Information Release

September 2026

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Some parts of this information release would not be appropriate to release and, if requested, would be withheld under the Official Information Act 1982 (the Act).

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Where information has been withheld, no public interest has been identified that would outweigh the reasons for withholding it.

Key to sections of the Act under which information has been withheld:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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TE TAI ŌHANGA
THE TREASURY

Treasury Report: Budget 2026 Package Advice – Week Commencing 06 April

Date:	10 April 2026	**Report No:**	T2026/699
		File Number:	BM-2-4-2026-M134098

Action Sought

	Action Sought	Deadline
Hon Nicola Willis **Minister of Finance**	**Indicate** your decisions on individual initiatives in Annex 1, and 2	13 April 2026

Contact for Telephone Discussion

Name	Position	Telephone		1st Contact
Quintin Jane	Analyst, Budget Management	[39]	[35]	✓
Emily Fulford	Unit Manager, Budget Management			

Minister's Office Actions

Return the signed report to Treasury.

Note any feedback on the quality of the report	

Enclosure: Yes (attached)

Treasury Report: Budget 2026 Package Advice – Week Commencing 06 April

Purpose of the report

1. This report updates you on the status of the 2026 Budget Package following your feedback on the current draft package [T2026/642 refers], and to seek your decision on initiatives relating to fuel price cost pressures following Ministerial submission.

2. The annexes attached to this report are:

   a **Annex 1**: Further information on specific initiatives.

   b **Annex 2:** Advice on fuel-price related cost pressures.

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

Table 1: Treasury advice week commencing 06 April

Date	Title	Description
10 April	T2026/666 – Aide Memoire: Budget 2026 Economic Forecasts	Overview of Treasury's Budget 2026 economic forecasts and summary how we incorporated the impacts of the Middle East conflict, and an outline of the BEFU economic outlook chapter narrative.
10 April	T2026/745 - Briefing on Commercial Proposals to Bolster Fuel Supply	Advice on commercial proposals for fuel

4. Next week, you will receive advice on risks that may influence the net core Crown debt track.

Status of your Budget 2026 package

5. Following your decisions over the past week and at Budget Ministers 3, the current operating package is $0.1 billion under the $2.4 billion operating allowance, and $2.4 billion over the capital allowance. [33]

Table 2: Current package

Timing	Savings and revenue	Spending (inc. precommitments)	Package	Position against allowance
Current Package (Week Commencing 06 April)	$1.2 billion operating	$3.5 billion operating	$2.3 billion operating	$0.1 billion under
	$1.3 billion total capital	$7.1 billion total capital	$5.8 billion total capital	$2.4 billion over
Package Week Commencing 30 March	$1.1 billion operating	$3.6 billion operating	$2.5 billion operating	$0.1 billion over
	$1.2 billion total capital	$8.2 billion total capital	$7 billion total capital	$3.5 billion over

6. Key decisions that you have made over the past week (including at Budget Ministers 3), which have driven this improvement are:

   a Removing [33]. [37] [33]. [37]

   b Reducing Rail Network Investment Programme (Freight network) funding from three years to one year only (reduction of $80.2m operating p.a. and $291.4m total capital).

   a Returning underspends from Disability Support Services in the 2025/26 financial year to the operating allowance [T2026/642 refers]. The Ministry of Social Development has confirmed this underspend will be $200 million total operating.

   b At the Health bilateral with Hon Brown, you agreed to fund Tranche 2 of the Regional Hospital redevelopment [37]), and providing scaled funding towards reducing the Bowel Screening age from 58 to 56 ([33] [33] Advice on the remainder of the Health envelope is in Annex 2.

7. Budget Ministers have agreed in-principle to a sizeable portion of the overall package. The table below outlines the key outstanding parts of the package to resolve over the next two weeks so they can be agreed at Budget Ministers 4 on Tuesday 21 April.

Table 3: Next steps to land outstanding elements of the Budget 2026 package

Area/initiative and associated funding	Next steps to resolve
Foreign Affairs: the package currently includes $63m p.a. for an increase to the International Development Cooperation and cybersecurity investment. This is around $50 million p.a. less than the full amount sought by Rt Hon Peters. Including MFAT in outyear baseline reductions would generate around $95 million p.a. of additional savings.	We understand that Hon Seymour will discuss the Foreign Affairs package with Rt Hon Petters. We seek your confirmation on whether you want to include MFAT in the outyear baseline reductions.
Council incentives: the package currently includes 1% of residential consent value ($172.9m p.a.).	We understand that Hons Bishop and Seymour will discuss options for this initiative.
Ending Final-Year Fees Free: around $224.4m p.a. of savings are available, based on ending the scheme with broad grandparenting and funding several trades-supportive initiatives.	We understand a proposal is being finalised to test with Rt Hon Peters.
Introducing an Australian-Style Bank Tax: [34]	We understand you will discuss this initiative with Hon Seymour.
Energy package: The package currently includes the capital raise pre-commitment for Genesis ($200m total capital) and funding for the Gas Transition Loan Guarantee Scheme ($12.5m p.a.).	Hon Brown has requested a bilateral meeting on energy with you. We will provide advice for this meeting and associated initiatives.

Area/initiative and associated funding	Next steps to resolve
[33] [33] [33] capital for a Government Policy Statement on Land Transport placeholder, as well as [33] for rail investments.	Following your Transport bilateral on 8 April, you and Hon Bishop will receive joint advice from the Treasury and the Ministry of Transport the week of 13 April seeking agreement to the outstanding Transport issues ahead of Budget Ministers 4.

8. A key outstanding area for the Budget 2026 package is for funding to respond to fuel cost pressures and the Middle East conflict more generally, though as set out below.

Arriving at a final Budget 2026 package

9. Landing a package with precision at $2.4 billion will be challenging given the various moving parts in this particular Budget process. However, our judgement based on the balance of risks is that there are clear landing zones below $2.4 billion, particularly if Ministers agree to progress with savings from ending Final-Year Fees Free.

10. Depending on the scale of additional fuel costs, which savings or scaling options you agree with Ministers and on the level of response required and associated fiscal costs with Cyclone Vaianu, there are a few scenarios you may need to navigate towards the end of the decision-making process:

    a *If you are slightly over the operating allowance*: there are some levers to scale funding remaining in Housing, and by minimising outstanding spending packages in Energy and Foreign Affairs.

    b *If you are slightly under the operating allowance (e.g. around $100m under):* you could top up the between-budget contingency in 2026/27 to account for potential fuel costs, or deliver a package slightly under $2.4 billion.

    c [34] and there is minimal new spending. In this scenario you may have capacity to reconsider any late savings decisions, manage some future baseline reductions against future allowances rather than at Budget 2026, manage transport GPS decisions in the Budget 2026 allowance rather than the Budget 2027 allowance, or deliver a package more noticeably under $2.4 billion.

11. It should be clearer towards the end of next week and ahead of Budget Ministers 4 which of these scenarios is more likely.

Response to the Middle East conflict

You invited discrete initiatives into the Budget 2026 process

12. You have indicated that while most agencies are expected to manage cost pressures from their baselines, you are open to considering fuel-related cost pressure funding for critical services that is targeted, timely and temporary. We have assessed initiatives in line with these principles. You have also indicated that you are open to funding energy resilience measures, and business advisory support.

13. In **Annex 2**, we seek your decisions on:

   a six cost pressure initiatives relating to direct fuel use for critical services in select agencies, including where this funding can be met through an existing funding source in the Budget (i.e. envelopes);

   b two new energy-resilience initiatives in Customs and Corrections;

[33]

Overall, the fiscal impact of proposed initiatives related to the Middle East conflict is not large

14. The initiatives being actively considered as part of the response have a relatively small fiscal impact and are manageable within your operating allowance. Ministers invited to seek additional funding submitted a total of [33] in fuel related cost pressures, [33] We recommend you provide funding for a total of $10.1 million of fuel related cost pressures. You have choices for the resilience initiative, depending on your objectives.

15. At this stage, the key potential fiscal risk is in relation to commercial discussions to bolster fuel supply (to be considered by Cabinet on Monday 13 April). While a commercial agreement for additional fuels is expected to have both an operating and capital impact (including potential underwrites, financing costs, and storage costs), costs remain highly uncertain and are difficult to quantify prior to negotiations proceeding. We have provided separate advice to you on this [T2026/745 refers].

16. If the costs are large, you still have options on the table with which you can balance the Budget package (as noted above). You have also agreed that the remaining headroom in the operating allowance be put towards the Between Budget Contingency (BBC) to manage fuel pressures as they arise [T2026/642 refers].

17. Other work underway should not impact Budget 2026 allowances:

   a Work is continuing across government to manage the impact of increased fuel costs on agencies (e.g. social sector agencies are developing a framework to manage costs arising in the funded sector, and the Public Service Commission and MBIE are continuing to build a system-view of fuel usage and needs to support the public sector's response to the National Fuel Plan). We have reiterated your expectation that funding for fuel related cost pressures beyond the existing invitations will not be considered through Budget 2026 process and should be met through reprioritisation of existing baselines.

   b You have also agreed to provide funding for additional diesel storage capacity at Marsden Point through up to $21.6 million to Channel Infrastructure NZ Limited. This is intended to be funded from the Regional Infrastructure Fund.

Fuel cost pressure initiatives

18. Most fuel cost pressure submissions were in line with your direction that supports should be timely, targeted and temporary. Our key overarching observations of submitted initiatives are as follows:

    a **All fuel-specific costings are in line with Treasury's price assumptions** that 91 octane will fall below $3 by the July-September quarter of 2026. This means that where funding is provided for a full financial year, the forecast reduction in fuel prices is built into the costings. Police and Fire and Emergency New Zealand (FENZ) used Treasury's assumptions as the basis for their costings but accounted for different fuel types and bulk discounts that these agencies receive.

    b **For Corrections, Police, and FENZ, we have supported funding being appropriated directly to the Vote** (over both 2025/26 and 2026/27) given the clear case for funding and relatively small fiscal cost. For Education, we support funding being appropriated in the current financial year only.

    c **In both Education and Health, we recommend funding is placed in agency specific tagged continencies**, drawing on allocated funding from their envelopes. In both instances, the case for funding is less clear than for other agencies, and we do not support direct funding unless a strengthened case is made for the direct impact of fuel cost pressures on the agency.

    d **Across all initiatives, we have not supported funding sought beyond the scope of the invitation**. For example, we have not supported funding sought for inflationary impacts (in Corrections) and anticipated costs for potential policy changes (Education).

    e **NZDF did not submit a standalone fuel cost pressure initiative, noting that it will meet these pressures within baselines**. Instead, NZDF's submission has focused on reshaping its envelope to increase workforce and remuneration funding while decreasing cost pressures. We recommend you support the revised submission.

Energy resilience measures

19. As part of the broader response, you also indicated your interest in energy resilience measures, including new spending initiatives. We have provided advice on two discrete initiatives submitted by agencies in Annex 2.

20. Corrections have submitted an initiative to fund diesel boiler replacements across the network to reduce reliance on fossil fuels. We have provided further advice on this in the annex, but have noted that looking ahead, you may wish to take an all-of-government approach to the energy transition. A wider response could be considered in a future Budget.

Public transport cost pressures

21. You also indicated you wish to consider options to provide targeted funding to support public transport providers facing diesel cost pressures. The Ministry of Transport is working on further advice to support public transport providers facing diesel cost pressures.

Other Matters

Credit Ratings Agencies

22. At Fiscal Matters on 9 April, you asked for information on the methodologies that different credit rating agencies use to make their judgements and when agencies will be reviewing NZ's position or visiting.

Methodology

23. The three major credit rating agencies assess sovereign credit ratings by analysing a range of quantitative metrics (across 4-5 key rating factors) and, subsequently, applying a qualitative overlay. Fitch Ratings overlay their qualitative assessment on the total modelled credit rating, while S&P and Moody's apply qualitative assessments to individual rating factors. The key rating factors for each of the rating agencies are broadly similar (Table 4).

Table 4: Ratings factors

S&P	Moody's	Fitch
Economic assessment	Economic strength	Macroeconomic performance
Monetary assessment		
Fiscal assessment	Fiscal strength	Public finances
Institutional assessment	Institutional strength	Structural features
External assessment	Risk factor: Susceptibility to event risk	External finances

24. Under the fiscal assessment, each of the credit rating agencies have a debt stock measure and a flow measure. Capital expenditure is captured in both. All rating agencies use general government fiscal metrics, which are a combination of central government (excluding the RBNZ) and local government. [37]

[37]

27. We will provide further advice next week on risks to net core Crown debt and how rating agencies might perceive this.

Upcoming visits and reviews

28. The three major credit rating agencies typically visit New Zealand annually, where they meet with a range of public and private sector individuals, including the Minister of Finance. The insights from the annual ratings visits feed into the rating agencies' credit reviews of New Zealand. The next visits are broadly expected in:

[37]

30. Treasury also expect to have calls with (some of) the credit rating agencies after the release of the Budget Economic and Fiscal Update, as is usual practice. As usual, we will update your office on these calls.

New Zealand Superannuation Fund

31. At Fiscal Matters on 7 April, you asked under what circumstances contributions to the New Zealand Super Fund (NZSF) have been suspended or set at a lower rate than the legislated formula, given advice that legislated contributions are likely to increase in the final fiscal forecast relative to the preliminary fiscal forecast.

32. The New Zealand Superannuation and Retirement Income Act 2001 details the process for a contributions holiday. If the Government intends to pay less into the Fund in any financial year than set by the formula, then the Minister must include a statement about this in the Fiscal Strategy Report that outlines:

    a the level of the contribution against the level prescribed by the formula,

    b the reason for the departure, and

    c future intentions and the approach the Government intends to take to ensure the fund will be sufficient to meet the payments of NZ Superannuation entitlements.

33. There have been three examples of decisions to suspend contributions or contribute less than prescribed by the formula, set out in the table below. In all cases, the stated rationale has related to fiscal constraints.

Table 6: Examples of decisions to suspend NZSF contributions or contribute less than prescribed by the formula

Period and contributions	Stated rationale
2001/02 – 2002/03: contribution below formula	**Fiscal Strategy Report 2000**: "In the short-term, contributions to the NZS Fund are somewhat lower than the required contribution rate, because the Government is re-building operating surpluses."
2009/10 – 2016/17: contributions suspended	**Fiscal Strategy Report 2009**: "The Government will suspend the required capital contributions from 2009/10 until we return to a sufficient operating surplus" **Fiscal Strategy Report 2013**: "The Government intends to delay contributions to the New Zealand Superannuation Fund until the long-term debt target is reached."
2017/18 – 2021/22: contribution below formula	**Fiscal Strategy Report 2018**: "Contributions to the NZS Fund will increase gradually over the next five years. This ensures that the Government can continue to meet its fiscal commitments, while responsibly investing for the future."

34. Any temporary reductions in capital contributions to the NZSF below the legislated formula would affect later calculations of the contributions once they returned to being made under the formula. All else equal, the formula would then calculate higher contributions in the following years to make up for the lower fund balances and ensuing reduced investment returns over the period of reduced contributions.

35. Reducing or suspending NZSF contributions improves net core crown debt in the near term. However, if investment returns are above financing costs then net worth (and other measures of debt that include NZSF assets) would deteriorate over time.

[34]

Rail Network Investment Programme

37. The fiscal forecasts will reflect the expected investment under the Rail Network Investment Programme (RNIP), which covers a three-year investment programme and 10-year investment forecasts. The spending forecast by KiwiRail in their fiscal forecasts will be a mix of operating and capital, funded from the National Land Transport Fund and Government top-ups. The programme is expected to be fully Crown funded based off the future of rail review where it was agreed that maintaining the network or "below track assets" was a responsibility of the government and the above track was KiwiRail commercial operations responsibility.

38. At present there is a funding shortfall as the funding committed by the Crown is not sufficient to cover the forecast investments under the RNIP. For our forecasts we assume that any costs from the RNIP not yet funded will be met from borrowings.

39. In the last two Budgets the funding provided has been time-limited and has been met from the capital allowance, while prior to this it was managed against the operating allowance.

Recommended Actions

We recommend that you:

a **Indicate** if you want to include the Ministry of Foreign Affairs in outyears baseline reductions (increases savings by $95 million p.a.):

Yes / No

b **Indicate** if you would like to receive further advice on reducing or suspending contributions to the NZ Super Fund contribution at Budget 2026

Yes / No

c **Indicate** your decisions on initiatives in Annexes 1 and 2.

Emily Fulford
Unit Manager, Budget

Hon Nicola Willis
Minister of Finance

_____/_____/______

Annex 1 – Initiative Level Advice

[33]

[33]

[33]

Vote Environment (Climate Change) – Golden Bay Cement Contingency

Vote	Environment (Climate Change)
Initiative ID	17553
Initiative Title	Golden Bay Contingency
Contact details	Tim Borren – Senior Analyst [39] Nicky Lynch – Manager
Issue / advice sought	You agreed to invite a late initiative to support Golden Bay Cement (GB) into Budget 2026 but asked Hon Watts to provide scaled options for the amount sought. The Ministry for the Environment has provided the following scaled options for your consideration. These have not yet been approved by Hon Watts for submission (his feedback is expected on 13 April), but Hon Watts' office has provided the options for your consideration currently given Budget timeframes. **Option One – one-off allocation** [37] and [38] This option would keep all realistic negotiating options on the table. **Option Two – no contingency** [37] **Option Three – various options ($60.0m):** A credible minimum that keeps a range of options (both for manner and timing of support) on the table. This includes: • An ETS exemption commencing during the Budget forecast period. • A one-off unit allocation earlier than anticipated under Option One, at lower assumed ETS spot prices ($50 compared to $80). • Reducing the size of the one-off allocation made during the Budget forecast period (from 1.1 million NZUs to 0.6 million NZUs). • A direct funding/co-investment option. **Option Four – changes from 2030 onwards** [37] This would limit options to an ETS exemption from 2030 onwards, or changes to industrial allocation phase-out rates from that point onward. Note this would have significantly higher costs from 2030 onwards than indicated here.
Treasury advice	All options are likely to have fiscal implications beyond the Budget forecast period, from 2030-2050. Therefore, the costs presented above **<u>do not reflect the full cost</u>** of each option over the 2026-2050 period. For example, while Option 4 (ETS exemption) appears as the least cost option, it is likely this would be the highest cost option over the full period to 2050. We have asked MfE for more detail on the full costs. If you wish to provide support for GB, we would suggest the tagged contingency should be as little as possible, but at a sufficient level to keep a credible range of options open for negotiation discussions. While we have had limited time to consider the scaled options, our preliminary preference is Option 3 – a $60 million tagged contingency. We suggest this be used as a placeholder in the package while we await confirmation from Hon Watts on the scaled options and further information on total costs. In general, our preference is for support options that do not require significant legislative changes [34] . [36]
Treasury recommendation	Please indicate which option you wish to include in the package (note all funding amounts are totals): • Option A: one off allocation [37] and [38] – Yes / No • Option B: one-off allocation [37] and [38] – Yes / No • Option C: $60 million placeholder **[Treasury recommended] –** Yes / No • Option D: Support from 2030 onwards [37] – Yes / No

Vote Health – Health NZ Standby Credit Facility extension

Vote	Health
Title	Health NZ Standby Credit Facility extension
Contact details	Thomas Blakie – Analyst [39] Jess Hewat – Manager
Issue / advice sought	The Standby Credit Facility (SCF) is a $200 million loan which Treasury can provide Health New Zealand (Health NZ) on a limited basis if the entity requires liquidity support. The SCF is due to expire on the 8 May and Health NZ is seeking a three-year extension. This SCF was set up in 2022 to support Health NZ's establishment period, and any loan provided must be fully repaid by Health NZ within 10 business days. The SCF has not been used. Treasury has the authority to extend the facility; however, we are seeking to confirm your comfort for the extension.
Treasury advice	**We support a one-year extension to the SCF to support Health NZ's liquidity, with any future extension subject to a compelling case for use of the SCF.** Health NZ has requested an extension on the basis that the SCF will support its liquidity, given large inflows and outflows of cash. While Treasury's first best view is that entities should manage their cash responsibly, and that loans should not be offered for cash management purposes, we are comfortable with providing Health NZ a one-year extension given its size for continued liquidity support given its large inflows and outflows. The one-year extension will also give time for the Ministry of Health's (the Ministry's) new approach to monitoring Health NZ's cash balance to bed-in. **There are no impacts on fiscal indicators from decisions to extend/not extend the SCF.** The only impact of the SCF is a temporary impact on net debt for the 10 days the loan is active. There are no impacts on Budget allowances or any other indicators from decisions to extend or not extend the loan. **If you support this extension, we recommend you agree the below appropriation changes with the Minister of Health, and we will work with the Ministry and Health NZ to confirm the loan extension.**

Treasury recommendation

Indicate if you support a one-year extension to Health New Zealand's Standby Credit Facility: Yes/No

Approve the following changes to appropriations and departmental capital injections to enable Treasury and the Ministry of Health to confirm an extension:

	$m – increase/(decrease)				
	2025/26	**2026/27**	**2027/28**	**2028/29**	**2029/30 & Outyears**
Vote Health					
Minister of Health					
Non-Departmental Capital Expenditure:					
Standby Credit to Support Health System Liquidity	-	200.000	-	-	-
Total Operating	-	200.000	-	-	-

Agree/Disagree **Agree/Disagree**

Hon Simeon Brown
Minister of Health

Hon Nicola Willis
Minister of Finance

Vote Housing and Urban Development – Further advice on Flexible Fund options

Vote	Vote Housing and Urban Development
Initiative ID	17268
Initiative Title	Housing Flexible Fund – Further investment for social housing and other housing solutions
Contact details	Nina Shepherd — Analyst — [39] Amanda Wilson — Unit Manager
Issue / advice sought	[33]
Treasury advice	The initiative proposes to top up the Flexible Fund to establish a pipeline of investment in Social Housing. [33] Delivery from 2028/29 is because approval for construction to commence typically takes two years and earlier delivery means providers would not have adequate time to negotiate with developers due to time constraints, driving up costs. [33]
Treasury recommendation	

Vote Justice (Family Violence and Sexual Violence) – Project Whetū closure – Return of baseline funding and tagged operating contingency

<table>
<tr><td>Vote</td><td>Justice (Family Violence and Sexual Violence)</td></tr>
<tr><td>Initiative ID</td><td>17555</td></tr>
<tr><td>Initiative Title</td><td>Project Whetū closure – Return of baseline funding and tagged operating contingency</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>Project Whetū is an initiative of the Interdepartmental Executive Board for the Elimination of Family Violence and Sexual Violence (the IEB), intended to implement a national, integrated information-sharing model and technology that underpins a multi-agency operating model for family violence response and early intervention.

The draft detailed business case for Project Whetū was withdrawn from Cabinet consideration in October 2025 due to questions about value for money and agency-level ownership. Following this, the IEB decided to cease work on Project Whetū while continuing to focus on implementation of the non-technical elements of the target operating model from baselines.

The $4.591 million operating funding remaining in the Project Whetū tagged contingency established at Budget 2024 and $0.605 million ringfenced in baselines is therefore no longer needed for this project.</td></tr>
<tr><td>Treasury advice</td><td>This savings initiative would proactively return $5.196 million total through the Budget process rather than waiting for year-end processes and the expiry of the tagged contingency. We support this approach as it allows the funding to be returned to the Budget 2026 operating allowance and because the Budget package Cabinet paper provides a vehicle for the Centre for Family Violence and Sexual Violence to get Cabinet confirmation of the decision to stop work on Project Whetū.

If you don’t include this saving in the Budget package, the funding will be returned to the centre through year-end processes when the tagged contingency expires. This will flow through to OBEGALx directly at that time.</td></tr>
<tr><td>Treasury recommendation</td><td>Indicate if you wish to:

Option A (recommended): Include this initiative as a saving in the Budget package and return to the Budget 2026 operating allowance: Yes / No
Option B: Manage the return of funding through year-end processes and the expiry of the tagged contingency: Yes / No

<table>
<tr><th rowspan="2">Option</th><th rowspan="2">ID</th><th colspan="6">Operating ($m)</th><th rowspan="2">Total Capital ($m)</th></tr>
<tr><th>25/26</th><th>26/27</th><th>27/28</th><th>28/29</th><th>29/30</th><th>Total</th></tr>
<tr><td>A – include in package</td><td>17555</td><td>(5.2)</td><td>-</td><td>-</td><td>-</td><td>-</td><td>(5.2)</td><td>-</td></tr>
<tr><td>B – exclude from package</td><td>17555</td><td>-</td><td>-</td><td>-</td><td>-</td><td>-</td><td>-</td><td>-</td></tr>
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</td></tr>
<tr><td>Referral</td><td>Refer to the Minister for the Prevention of Family and Sexual Violence: Yes / No</td></tr>
</table>

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

Vote	Justice
Initiative ID	17061
Initiative Title	Firearms Reform – Implementing the new Arms Act and establishing Firearms Safety New Zealand
Contact details	Emily McCarthy – Analyst [39] Shelley Robertson – Manager
Issue / advice sought	This annex provides further advice on the firearms reform initiative following concerns raised by the Associate Minister of Justice that the approach agreed on 31 March is not viable. You previously decided to: • Provide $20 million operating funding over the forecast period for the organisational form and regulatory regime change of the initiative (compared to the full amount sought of $36.8 million), and • Defer the ICT component and take $28.0 million funding in the Firearms Safety Authority (FSA) baseline as a saving. The $28.0 million is currently ringfenced for delivery of a related investment which is paused and would be subsumed by the new ICT investment proposal. The full amount of funding sought for the ICT investment was [38] over the forecast period to be funded using the currently ringfenced funding and additional new funding. The Associate Minister's most substantive concerns appear to relate to the decision to defer new funding decisions for the ICT investment.
Treasury advice	***ICT investment: we recommend transferring existing funding into a tagged contingency subject to further work to address deliverability concerns, but not providing new funding at this stage*** The Treasury agrees there is a case for the ICT investment in principle. We have been engaging with the Ministry of Justice throughout the business case development and have raised concerns about lack of details on how risks associated with the interdependencies of the overall change process would be mitigated. As a result, we do not consider it to be investment ready at this point. Similar concerns were also raised through the Risk Profile Assessment (RPA) for the firearm reform programme. The recent RPA moderation by system leaders changed the Ministry's self-assessed rating to high risk. This was communicated to the Ministry on 9 April. Risks that should be addressed before investment assurance is achieved include management of parallel change management processes, management of a technically complex multi-stakeholder project, and a lack of clear ownership and governance arrangements. The draft Single Stage Business Case has not undergone a Gateway review, and the Treasury has not seen how the risks raised will be addressed. We note that a Cabinet paper seeking approval of the Single Stage Business Case for the ICT investment component has been lodged for consideration at CBC on 13 April. We recommend that any approval be in-principle, subject to the deliverability concerns being addressed. There are two related decisions on ICT investment. To balance progressing the ICT investment while ensuring that Budget funding is prioritised towards investment ready initiatives, we recommended the following: • **Treatment of $28 million existing funding in the FSA baseline**: we recommend transferring this funding to a tagged contingency rather than taking it as a saving. • **Further funding** [38] **over the forecast period**: together with the $28 million above, this would fully fund the Associate Minister's preferred option in the business case. Given the deliverability concerns noted above, we do not recommend funding this at this point. We also consider that options for scaling and sequencing ICT development and delivery should be explored further before agreeing

<table>
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to the full amount of funding being sought. If you do want to fully fund the Associate Minister’s preferred option, we recommend that any new funding also be held in a tagged contingency.

Funding for regulatory reform organisational change: we recommend scaled funding

We continue to recommend scaled funding of $20 million over the forecast period to meet direct, marginal costs associated with the regulatory regime and organisational form change components of this initiative. This is down from the $36.8 million sought.

The Treasury was aware of the Associate Minister’s points with respect to the Arms Regulator Chief Executive’s remuneration being set by the Remuneration Authority when providing our advice. With respect to the need to change the job size of other staff, the Treasury engaged with other central agencies on this, and the view is that this is not necessary. We provided this feedback through ministerial consultation in November 2025.

The Ministry of Justice has advised that they are developing a scaled option of $28 million over the forecast period. They consider that this would be a feasible option that delivers on the public safety objectives and intent of the reforms. We can provide further advice on this option once we receive the details from the Ministry.

Next steps

We understand MoJ, Police, and FSA officials intend to discuss options, trade-offs, and impacts of the Treasury recommended approach with the Associate Minister of Justice on Monday 13 April. We expect to be able to provide further advice about any specific risks or considerations associated with the recommended approach that are provided to us before Budget Ministers 4.
</td></tr>
<tr><td>Treasury recommendation</td><td>
Issue 1 – Treatment of existing funding for ICT

indicate what you wish to do with the $28.0 million over the forecast period in the FSA baseline:
• transfer it to a tagged contingency (recommended) Yes / No
• take it as a saving (current decision) Yes / No
• leave it in appropriations, ring fenced for conditional expenditure on the ICT investment Yes / No

Issue 2 – Further investment in ICT initiative

indicate if you wish to provide new funding for the Associated Minister’s preferred ICT investment option at this Budget:
• defer to Budget 2027 (recommended) Yes / No
• fully fund the additional [38] over the forecast period in a tagged contingency Yes / No

Issue 3 – Funding for organisational form and regulatory regime change

indicate if you wish to:
• provide a scaled $20 million over the forecast period (recommended) Yes / No
• Fully fund at the department’s submitted level of $36.8 million over the forecast period Yes / No
• Receive further advice on the Ministry’s new scaled option of $28 million over the forecast period Yes / No

Note that the Treasury will provide further advice about any specific risks or considerations associated with the recommended approach that are provided to us by the Ministry of Justice ahead of Budget Ministers 4

Note that the Treasury will provide separate advice on a Cabinet paper seeking approval of a draft Single Stage Business Case for the ICT investment component of this initiative, which has been lodged for consideration at CBC on 13 April
</td></tr>
<tr><td>Referral</td><td>Refer this annex to the Minister of Justice, Associate Minister of Justice and the Minister of Police Yes / No</td></tr>
</table>

Vote Revenue – IR Departmental Funding Recommendation

Vote	Revenue
Initiative ID	17151, 17152, 17149, 17425, 17146, 17150, 17355, 17443, 17535, 17148, 17179, 17186, 17184, 17147, 17534, and 17541.
Initiative Title	IR Departmental Funding Recommendation
Contact details	Paul Quirke – Senior Analyst – [39] James Haughton – Unit Manager
Issue / advice sought	This advice covers the Treasury recommendation for departmental costs associated with Vote Revenue Budget initiatives.
Treasury advice	There are three parts that comprise Inland Revenue's (IR) departmental funding: 1. **IR has sought implementation costs** to implement and deliver the tax policy and Working for Families initiatives included in Budget 2026 are estimated to be $2.8m operating p.a. and $2.6m total capital. This compares to an estimated $350.6m p.a. of revenue/savings these initiatives will provide. Approximately half of these operating costs are for new FTEs, most of whom are temporary staff supporting implementation, with only a small number of permanent roles. 2. An additional Budget initiative focuses on **additional compliance activities targeting individuals**, with departmental operating costs of $15m (including $12.8m for personnel costs). The Treasury supports providing the operating funding for this initiative based on the expected net return on investment ($30m). The Treasury notes that IR cannot do disaggregated monitoring for investment in compliance activities, however, IR has stated they can do more specific monitoring than currently reported. 3. **The baseline reduction** for IR will reduce departmental funding by $15.8m (2%). In addition, the department is managing remuneration, inflation and other costs pressures of approximately compounding 3% per annum. If you include all initiatives, IR's net departmental funding will increase by $2.0m p.a. operating and $2.6m total capital. We expect this would lead to a net increase in FTEs. Note you have separately agreed to fund IR's departmental costs associated with introducing in-year payments for the RDTI ($1.1m p.a. operating and $2.1m total capital; T2026/642 refers). Given current fiscal constraints, we recommend you do not provide additional implementation funding to IR (beyond the RDTI funding you have already agreed). This would result in a minor net increase to IR's baseline of $0.3m p.a., compared to a total of $790m p.a. over the forecast period. Alternatively, you could fund all or half of the implementation funding sought by IR.
Treasury recommendation	Please indicate your decision below on what option to include in the package: • **Option A:** Do not provide additional IR implementation funding (**Treasury recommended**) – Yes / No • **Option B:** Provide additional IR implementation funding (estimated $2.8m p.a. operating and $2.6m total capital, subject to further reporting) – Yes / No • **Option C:** Provide IR half its additional sought implementation funding (estimated $1.4m p.a. operating and $1.3m total capital; subject to further reporting) — Yes / No **AND** **Agree** to include in the package additional compliance activities targeting individuals, with funding of $15m p.a. operating and debt impairment savings of $45m p.a. (**Treasury recommended**) – Yes / No

Vote Revenue – Costing of temporary $50 per week boost to In Work Tax Credit

Vote	Revenue
Initiative ID	N/A
Initiative Title	Costing of temporary $50 per week boost to In Work Tax Credit
Contact details	Alex Harrington – Principal Advisor [39] Jean Le Roux – Senior Manager
Issue / advice sought	Cabinet has agreed to a temporary $50 per week boost to the In Work Tax Credit (IWTC), which applies from 1 April 2026 and lasts until the earliest of 31 March 2027 or a date set by Order in Council as soon as practicable after the price of 91 octane petrol is below $3 per litre for four consecutive weeks. At that point Cabinet charged the cost of a year-long increase ($373 million) against the operating allowance. The Treasury's final Budget 2026 economic forecasts are now available. They have the price of 91 octane petrol dropping below $3 a litre (to $2.998 per litre) on 7 August 2026 and remaining below $3 per litre for the remainder of the forecast period, meaning the four week trigger would be met on 4 September. We assume it would take a little over a month for the Order in Council reducing the IWTC to its original level to be agreed by Cabinet and to come into effect (Orders in Council need to be gazetted for 28 days unless a waiver is agreed). **As such, based on these forecasts, the temporary IWTC boost would apply until mid-October, which would reduce the cost from $373 million to around $200 million.** You have a choice about whether to continue to charge the full $373 million against the Budget 2026 operating allowance, or to charge a smaller amount, as our economic forecasts would suggest.
Treasury advice	Continuing to charge the full amount reduces the downside fiscal risk associated with any deterioration in fuel prices relative to the economic forecasts, but would introduce a potential inconsistency between Budget decisions and the economic forecast. On balance, we recommend not charging the full-year cost of $373 million against the Budget 2026 operating allowance. While acknowledging the uncertainty in forecasting weekly petrol prices in light of the wider geopolitical context, our current best estimate is that the IWTC boost will not apply for the full year, and that its cost is more likely to be around $200 million. If you continue to charge the full $373 million against the operating allowance and Inland Revenue includes the full amount in its Budget 2026 fiscal forecasts, we may consider adjusting the Treasury's top-down adjustment to account for the gap. If you want to charge a smaller amount, we will work with Inland Revenue to explore the feasibility of a gazette waiver, and to firm up a fiscal costing for the IWTC applying for a shorter period (which would be included in Inland Revenue's Budget 2026 fiscal forecasts). As we have previously advised, if there are significant developments we would consider re-opening our economic forecasts. If that led to a different forecast for petrol prices, that would also change our estimate of when the $3 trigger would apply. If that occurs, you would have choices for how to manage differences in costs (such as drawing any difference from the BBC, managing against allowances if there is remaining headroom, or pre-committing additional costs against Budget 2027). You have used (and are considering using) the same $3 threshold for number of smaller initiatives related to fuel costs. Depending on your decisions on this initiative we will advise you on flow-on impacts to how those should be treated for consistency. Specifically, we can provide further advice on whether this threshold should be applied to the In-Between Travel and National Travel Assistance schemes in Health, reducing the funding sought from the Health envelope and avoiding the need to clawback funding in future.
Treasury recommendation	**Indicate** if you want to: • **Option A:** Continue to charge the full $373 million cost of a year-long IWTC increase against the Budget 2026 operating allowance: Yes / No • **Option B:** Charge a smaller amount against the Budget 2026 operating allowance – our current best estimate is that the total cost will be closer to $200 million **(Treasury recommended)**: Yes / No

Annex 2 – Fuel related initiatives

Vote Defence Force – Middle East conflict - cost pressure submission

Vote	Defence Force
Initiative ID(s)	17218, 17224, 17225, 17228, 17229, 17231, 17232, 17233
Contact details	Jess Balu – Senior Analyst – [39] Shelley Robertson – Manager
Overview of submissions	You wrote to the Minister of Defence inviting the submission of a revised Defence envelope taking into account: • Any cost pressures that are still critical, [1] and [33] discussed at the Defence and Intelligence bilateral • Additional fuel cost pressures; and • Defence Capability Plan (DCP) Year 2 investments that are not deferrable to a future Budget. Hon Penk has submitted a revised envelope totalling $247.4 million operating p.a. and $700 million total capital. Compared with the initial envelope submission, this is an increase of $1.6 million p.a. operating. No fuel cost pressures have been submitted, and the envelope remains broadly the same, with sought capital funding unchanged. The key changes to the envelope are: • Reduced operating funding for five capability investments and for general operating cost pressures • Additional remuneration funding to reduce NZDF attrition ($30 million p.a.) and for NZDF workforce recovery ($5 million p.a.).
Treasury advice	***Fuel, cost pressures, and workforce funding*** Hon Penk has not submitted any fuel-specific cost pressures or energy resilience initiatives. [34] NZDF has indicated any additional costs would be met through reprioritisation of existing baselines. We assess it is possible this could result in reduced defence outputs; we outline this further below in the context of the revised envelope. [1], [33] and [34] We recommend that you support the revised cost pressure and workforce bids. While NZDF has indicated a decrease in defence outputs is likely due to reduced cost pressure funding, we have not received estimates of specific impacts (e.g., reduced flying hours or sea days). Absorbing fuel cost pressures in baselines may further reduce outputs. On balance, we assess the workforce and remuneration initiatives reflect stated NZDF workforce pressures and balances DCP delivery against ensuring sufficient Defence capacity to absorb capability investment. You may wish to communicate your expectation that funding for Defence remuneration be targeted towards military personnel, rather than civilian personnel. ***Funding to progress DCP investments*** You invited the Minister to revise the envelope to focus on DCP investments that are not deferrable to a future Budget. Hon Penk has not proposed deferring any DCP investments in the revised envelope. The revised envelope includes reduced operating funding across five capability investments [33] with no changes to capital funding proposed. The reduced operating funding across these capability initiatives includes deferring some project activities in the 2026/27 financial year and a reduction in small-scale capability projects. We do not consider these changes result in

material risks or impacts on the initiatives and our assessments have not changed. Therefore, we recommend supporting most of the revised set of capability initiatives. We continue to recommend deferring two FTE-based initiatives that had been excluded in the package until now, as we consider there is no strong case for funding these at Budget 2026:

- Defence Science and Technology uplift, funding [1] Defence science FTEs ($1.3 million p.a.)
- Intelligence capability uplift, funding [1] intelligence FTEs [1]

Information on investment-readiness

You also requested advice on delivery progress on Budget 2025 investments, and on options to reduce spending by deferring DCP investments at Budget 2026 that are unlikely to be investment-ready.

Investments funded in Budget 2025 have either had funding drawn down and implementation begun or are scheduled for drawdowns in the coming months. For example, funding for the replacement of the Boeing 757 aircraft has been fully drawn down, leases signed and aircraft are scheduled for delivery from [38]

Based on information provided by NZDF, all Budget 2026 initiatives are likely to have significant delivery steps in 2026/27.

[33], [38]

. We consider Budget 2025 investments are making reasonable delivery progress and the Budget 2026 initiatives appear sufficiently investment ready to provide funding.

The table below sets out the revised submitted and recommended package:

	Operating ($m, p.a.)	Total capital ($m)
Pre-commitments [38]	101.8	1,648.0
Envelope initiatives submitted (original submission)	254.8	700.1
Option A: Treasury-preferred package	244.6	700.1
Option B: Envelope initiatives submitted (revised submission)	*247.4*	*700.1*
Total recommended package (including pre-commitments)	**346.4**	**2,348.1**

Treasury recommendation

Indicate your preferred option to include in the package:

- **Option A:** Treasury-preferred package, which defers two minor bids: Yes / No
- **Option B:** Hon Penk's submitted package in full: Yes / No

Option	***ID***	***Operating ($m)***						***Total Capital ($m)***
		25/26	***26/27***	***27/28***	***28/29***	***29/30***	***Total***	
Option A	Various	[33]						700.1
Option B	Various							700.1

Vote Education – Middle East conflict - cost pressure submission

Vote	Education
Initiative ID(s)	17571
Contact details	Lexie Preen | Graduate Analyst | [39]

<table>
<tr><td></td><td><table><tr><td>Mark Hodge</td><td>Unit Manager</td><td>[39]</td></tr></table></td></tr>
<tr><td>Overview of submissions</td><td>
This initiative [37] total operating from the existing Education envelope to fund a range of fuel related pressures. The initiative includes nine components:

Six components related to increased costs in delivering <u>existing education services ($18.6 million total)</u>:

Transport costs for frontline education staff and schools:
[33]
Transport costs for students and families:
[33]

Three components relate to <u>potential policy changes</u> to support in-person teaching and learning if fuel price pressures increase in quantum and duration [33] :
[33]

No initiatives have been explicitly submitted for energy resilience. However, the Ministry of Education's existing capital reserves could be redirected towards the replacement of diesel boilers with alternatives for schools' energy needs.
Reprioritisation to offset [37] has been identified but not formally submitted to the Treasury. The [37] fits within the prescribed [33] envelope without any reprioritisation.
</td></tr>
<tr><td>Treasury advice</td><td>
We recommend additional funding is limited to only the six components that deliver existing education services experiencing fuel price pressures. We do not recommend you fund potential policy changes that have not yet been developed.
Key Context: At the second education bilateral discussion on Thursday 2 April, the Minister of Education expressed an interest in progressing a 'schools' fuel relief fund' of up [38] of total operating funding, to be held in a tagged contingency, using remaining headroom in the Education envelope.
You indicated in-principle support, noting that costings were indicative and high-level. The Ministry of Education have since submitted an [38] total operating initiative for this 'schools' fuel relief fund' ('Option A'), using Treasury's fuel price assumptions.
Treasury Recommendation:

<u>We recommend you include $18.6 million to maintain existing service delivery and allowance arrangements only</u> ('Option B').

This would preserve the status quo and align with our recommended approach in other portfolios, such as Corrections.
Further scaling would likely necessitate changes to the existing delivery models of education services, including virtual delivery of specific services.

<u>We do not recommend you include</u> [33] <u>for anticipated costs related to potential policy changes at this time.</u>

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- The three components relate to possible future costs should broad unspecified changes to existing policy settings be investigated to support in-person teaching and learning.
- Robust policy analysis is yet to be done and policy decisions are yet to be made. Given the lack of policy and costings detail, we do not consider the [33] sought to be a timely nor targeted response.

We don't consider funding for potential policy changes to be within the scope of the invitation. Provisioning this funding for Education may create a precedent and/or consistency risk.

Next steps: If you do provide funding for fuel price pressures in the Education envelope, we recommend appropriating funding for 2025/26 and holding the rest in a tagged contingency for 2026/27.

- For funding to be available for 2025/26, it will need to be appropriated given that no financial decisions affecting 2025/26 appropriations can be taken post-Budget moratorium.
- Although you could choose to appropriate 2026/27 funding as well, we recommend placing funding in a tagged contingency, with drawdowns conditional on the inclusion of:
  - Policy options to manage fuel price pressures without drawing down such funding, including options to minimise/optimise fuel use; and
  - Clear prioritisation criteria including careful targeting to support schools that could not utilise balance sheet funding to meet costs.

On reprioritisation, the Minister of Education has identified approximately [37] to support the Government's response to fuel price pressures.

- $28.3 million of this has already been returned and allocated to the Budget 2026 operating allowance, as you requested at the second bilateral discussion.
- The remaining [33] is an uncertain amount related to Holiday's Act remuneration. This saving has not been submitted for Budget 2026 as the quantum is highly uncertain, and we will not know if savings will eventuate until after Budget.
- Given any new spending for education fuel price pressures fits within the envelope without needing to be offset by reprioritisation, we do not recommend offsetting it with reprioritisation at this time. If this saving can be realised after Budget, it will return to the centre.

If you agree to fund the total [37] sought **(Option A)** this would use most of the remaining funding in the [37], bringing the final Education package to [37]. If you agree to fund $18.6m **(Option B)**, [37]. would remain in the envelope which could be returned to the operating allowance. This would reduce the overall size of the final Education package to [37]
.

Treasury recommendation

Indicate if you want to:

- **Option A:** Include this initiative for a total cost [37] total to fund increased costs of delivering education services and anticipated policy changes (Ministry of Education submission): Yes/No
- **Option B:** Scale this initiative to a total cost of $18.6m total to fund increased costs of delivering existing education services, and reduce the net overall size of the Education envelope to [37] **(Treasury recommended)**: Yes/No
- **Option C:** Remove this initiative from the Education envelope and therefore from the Budget package: Yes/No

And (if you select option A or B);

- Appropriate 2025/26 funding and hold 2026/27 funding in a tagged contingency: Yes/No

Option	***ID***	***Operating ($m)***						***Total Capital ($m)***
		25/26	***26/27***	***27/28***	***28/29***	***29/30***	***Total***	
Option A		[37]						-

Option B **(Treasury Recommended)**	17571	9.0	9.6	-	-	-	18.6	-
Option C		-	-	-	-	-	-	-

Vote Health – Middle East conflict - cost pressure submission

<table>
<tr><td>Vote</td><td>Health</td></tr>
<tr><td>Initiative ID(s)</td><td>17572 and 17573</td></tr>
<tr><td>Contact details</td><td>
<table>
<tr><td>Sophie Martin</td><td>Analyst</td><td>[39]</td></tr>
<tr><td>Jess Hewat</td><td>Manager</td><td></td></tr>
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<tr><td>Overview of submissions</td><td>
The Minister of Health has submitted two initiatives for fuel related pressures:

In-Between Travel costs and National Travel Assistance. You have already agreed to a temporary 30% increase to the mileage rate for the In Between Travel and National Travel Assistance Scheme ($6.0m p.a.) (CAB-26-MIN-0118 refers).
Health sector cost pressures from the conflict in the Middle East [37] over 2025/26 and 2026/27). There are two components to this bid:

An ongoing uplift to the Pharmac medicines budget (13.5m p.a.), with a focus in initial years on responding to increased fuel costs and disruptions to supply chains. You have already agreed to fund this initiative and have communicated this decision to Budget Ministers, including that any funding not used for the Middle East response can support a more general cost pressure uplift for Pharmac.
Other cost pressures that may arise in the Health sector relating to increased fuel costs.

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<tr><td>Treasury advice</td><td>
Based on existing decisions (including for new operating initiatives and the fuel response), there is [37] within the envelope remaining to be allocated.
<table>
<tr><th>Initiatives</th><th>Current package (opex p.a.)</th></tr>
<tr><td>New operating initiatives</td><td>$63.1m</td></tr>
<tr><td>Pharmac – Uplift to the medicines budget in response to fuel</td><td>$13.5m</td></tr>
<tr><td>In Between Travel and National Travel Assistance in response to fuel</td><td>$24.2m (over 25/26 and 26/27 only)</td></tr>
<tr><td>Total</td><td>$82.7m</td></tr>
</table>
Contingency for health sector cost pressures from the conflict in the Middle East
The initiative description is very high level. No specific services are identified, or costings provided, so the contingency would act as a catch-all for any pressures that may arise. We recommend you support the contingency initiative to provide for the risk of additional health pressures but scale it to align to the remainder of the envelope [37] not the full submitted amount [37] . We will provide further advice on conditions for the tagged contingency drawdown in line with your direction that support should be timely, targeted, and temporary.
Pharmac – Medicines Budget
You have communicated your intention to provide Pharmac with $13.5m p.a. to address any supply chain disruptions from the conflict. We understand that you want to provide appropriated funding for Pharmac, distinct from other health funding. If this remains your preference, we recommend you fund the Pharmac initiative directly from the health envelope (current status in package), i.e. not include it as part of the health contingency initiative as submitted by the Minister. You do have the option of providing the funding in a contingency in 2026/27, to use if, and when, these pressures arise (T2026/596 refers).
</td></tr>
<tr><td>Treasury recommendation</td><td>
<u>Contingency for health sector cost pressures from the conflict in the Middle East</u>
Indicate if you want to:

Option A: Provide a tagged contingency with the remaining envelope funding [37] (Treasury recommended): Yes / No
Option B: Provide the full submitted tagged contingency [37] (note this will exceed the Health envelope by [37] Yes / No
Option C: No further funding for the Health response to the Middle East conflict (and reduce the Health envelope [37] Yes / No

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Option	ID	Operating ($m)						Total Capital ($m)
		25/26	26/27	27/28	28/29	29/30	Total	
Option A		[37]						-
Option B	17573							-
Option C		-	-	-	-	-	-	-

Pharmac – Medicines Budget (fuel response)

Indicate if you want to:

- **Option A:** Retain status in current package - $13.5m p.a: Yes / No
- **Option B:** Provide Pharmac funding as part of the tagged health cost pressure contingency referenced above to retain optionality: Yes / No

Option	ID	Operating ($m)						Total Capital ($m)
		25/26	26/27	27/28	28/29	29/30	Total	
Option A	-	0	13.5	13.5	13.5	13.5	**54.0**	0
Option B*	17573	[37]						0

**Note this is the full health contingency amount submitted, any Pharmac funding would likely only be a small portion/as needed.*

Vote Internal Affairs – Middle East conflict - cost pressure submission

Vote	Internal Affairs
Initiative ID(s)	17569
Contact details	Frederick Thursfield — Analyst — [39] Amanda Wilson — Unit Manager
Overview of submissions	This initiative seeks time-limited funding [33] **total operating**) to address: • increases in fuel costs associated with Fire and Emergency New Zealand's (FENZ) critical operational activities (i.e., emergency response operations), and • increases in fuel costs associated with critical travel for FENZ personnel to support service delivery and incident response (both volunteers and career staff).
Treasury advice	We recommend providing scaled funding to address the cost pressures that FENZ is facing as we consider them credible and likely to have an adverse impact on frontline services if unfunded. The funding sought addresses non-discretionary cost pressures that are directly related to fuel costs for FENZ's core services. This includes critical fleet fuel use by FENZ directly for operations and for essential contracted services (aviation response is contracted to third-party providers). In addition, FENZ's service delivery relies on essential travel by career and volunteer firefighters to enable incident response. This travel is subsidised and is exposed to price pressures. Only time-limited funding is sought, with a clear cut-off at the end of the 2026/27 financial year. There is a clear case for support, as FENZ is actively managing increased fuel costs and flow-on effects. It has already agreed a temporary fuel surcharge arrangement with its aviation providers to ensure continued delivery of operational aerial services across New Zealand. The funding sought reflects residual non-discretionary pressures facing FENZ and already incorporates a planned 10% reduction in fuel usage based on the precedent from the Covid-19 lockdown to offset some of the pricing pressures. We also note that FENZ is levy funded and that as a condition for a recent increase in levies, FENZ was directed to deliver $60 million of savings by 2029. We consider that this likely makes further reprioritisation options challenging. However, we note that FENZ's initiative costings were based on its own assumptions for future fuel costs. Given that, we have recommended a scaled option that uses the central Treasury forecast for diesel and petrol prices (this forecast is lower than the assumptions that FENZ used), although we have relied on FENZ's costings for aviation services, which are based on an hourly rate and which we consider reasonably reflect market conditions. This reduces the quantum recommended from [33] to $3.492m. FENZ, like other agencies, advises that it purchases fuel in bulk at a discounted rate (discounts of circa $0.32 per litre for diesel, and $0.24 per litre for petrol). Our scaled option assumes that this will continue to hold in current conditions.
Treasury recommendation	Indicate if you want to fund: • **Option A:** Fund scaled critical fuel cost pressures for a total cost of $3.5m: (**Treasury recommended**) Yes / No • **Option B:** Fund critical fuel cost pressures for a total cost of [33] (FENZ submission): Yes / No

Option	ID	Operating ($m)						Total Capital ($m)
		25/26	26/27	27/28	28/29	29/30	Total	
Option A	17569	1.2	2.3	-	-	-	3.5	-
Option B	17569	[33]						-

Vote Police – Middle East conflict – cost pressure submission

Vote	Police
Initiative ID(s)	17561

Contact details

Michael Lonergan	Senior Analyst	[39]
Shelley Robertson	Manager	

Overview of submissions

The Minister of Police has submitted an initiative seeking $4.0 million (total operating) to fund additional fuel costs required to maintain Police operational activity. The funding would enable continued vehicle fleet, maritime, aviation and essential contracted operations facing sustained price increases.

In line with your invitation, this initiative is not being managed within the existing Law and Order package.

Treasury advice

We recommend providing time-limited funding of $4.0 million (total operating across 2025/26 and 2026/27) for this initiative outside of the Law and Order package, to manage the risk of ongoing fuel price pressures.

The funding is targeted, based on direct fuel costs to Police. Police has used the Treasury-provided fuel assumptions for 91 and diesel, and further applied its all of government discount to reflect the actual costs it is likely to face. Police has used its own assumptions for other fuel types (aviation and 98) and aligned them with Treasury assumptions where possible.

The funding is also timely and temporary, with costs sought for 2025/26 and 2026/27 only. Police's operating baselines are under significant pressure, and the Law and Order package already includes $101.2 million total operating of cost pressure funding for two years. In the absence of additional funding for fuel cost pressures Police would need to make reprioritisation decisions which may impact on the frontline. This is a particular risk for costs in 2025/26 given the current stage of the financial year and the anticipated one-off underspends are already expected to be used for future cost pressures.

You invited the Minister to submit an initiative in addition to the current Law and Order package, and noted that you would engage with sector Ministers if a different composition was required for the composition of the Law and Order Package as a result of this initiative. Given the small quantum, we do not consider you need to engage with sector Ministers on the overall Law and Order package.

Treasury recommendation

Indicate if you want to:

- Option A: Include this initiative in the package at a total cost of $4.0 million total operating (**Treasury recommended)**: Yes / No
- Option B: Exclude from the package Yes / No

Option	***ID***	***Operating ($m)***						***Total Capital ($m)***
		25/26	***26/27***	***27/28***	***28/29***	***29/30***	***Total***	
Option A	17561	1.8	2.2	-	-	-	4.0	
Option B	17561	-	-	-	-	-		

Vote Corrections – Middle East conflict - cost pressure submission

Vote	Corrections
Initiative ID(s)	17563 – Corrections Critical Fuel Price Pressure
Contact details	Nicole Bares – Analyst – [39] Shelley Robertson – Manager
Overview of submissions	This initiative seeks time-limited funding (**$5.3 million total**) to address: • Fuel purchased directly for the operations of onsite equipment, heating and cooking at prison sites (60% of Corrections' overall consumption). • Contracted services that face direct fuel costs (prisoner transportation, staff travel and couriers). • Indirect costs from contracted frontline services and suppliers that are facing fuel related cost increases. In line with your invitation, this initiative is not being managed within the existing Law and Order package.
Treasury advice	We recommend providing scaled time-limited funding of $2.6 million (total operating) for this initiative outside of the Law and Order package, to manage the risk of ongoing fuel price pressures. Without this funding, frontline services are likely to be adversely impacted. We agree that funding should be provided to address immediate pressures, as Corrections is facing direct fuel price increases that are already impacting the delivery of core services. We note that Corrections, like other agencies, purchases fuel at a discounted rate, and this has been factored into their costings. Recommended funding is targeted and temporary and covers significant and direct cost pressures relating to heating at custodial sites, offender transport (including charter flights), and staff travel and milage costs. Funding is also sought to cover fuel-related surcharges imposed by contracted suppliers, including, waste management services (cleaning, rubbish removal and recycling), and courier and freight services for the running of prison industries and offender and staff supplies. Beyond the direct costs of procuring petrol and diesel, Corrections is also exposed to indirect fuel related cost increases across several key supplier contracts. We consider that indirect cost pressures are likely experienced across government agencies, and are neither targeted nor temporary. On this basis, we do not support providing additional funding to Corrections specifically for indirect fuel related cost increases. You invited the Minister to submit an initiative in addition to the current Law and Order package and noted that you would engage with sector Ministers if a different composition was required for the composition of the Law and Order Package as a result of this initiative. Given the small quantum, we do not consider you need to engage with sector Ministers on the overall Law and Order package.
Treasury recommendation	**Indicate** what option you want to include in the package: • **Option A**: Fund scaled critical fuel cost pressures for a total cost of $2.6 million and exclude indirect fuel related cost increase components. *Yes / No* (**Treasury recommended)** • **Option B:** Fund critical fuel cost pressures including indirect fuel related cost increases for a total of $5.3 million (sought by Corrections). *Yes / No*

Option	***ID***	***Operating ($m)***						***Total Capital ($m)***
		25/26	***26/27***	***27/28***	***28/29***	***29/30***	***Total***	
Option A	17563	-	2.6	-	-	-	2.6	-
Option B	17563	-	5.3	-	-	-	5.3	-

Vote Corrections – Middle East conflict - resilience submission

Vote	Corrections
Initiative ID(s)	17564 – Corrections fuel resilience – accelerated boiler replacement programme

Contact details	Nicole Bares – Analyst Shelley Robertson – Manager [39]
Overview of submissions	This initiative seeks a tagged contingency **($75.9 million total capital and $2.9 million operating p.a.)** to deliver: • 160 boiler replacements across six custodial sites by 2028/29. • This initiative would significantly reduce the level of reliance on fossil fuels across the prison network as well as reducing emissions. This initiative is based on site feasibility work done for the unsuccessful Budget 2023 bid.
Treasury advice	You have choices about how you want to approach this initiative. ***If you want to consider this initiative based solely on its merits:*** We recommend you support this initiative. This initiative is well aligned with the resilience focus set out in your letter to the Minister of Corrections and would reduce Corrections' reliance on fossil fuels in the long term. If you wish to include this initiative in the overall package, we recommend that funding is held in a tagged contingency while a business case is developed. ***If you want to consider this as part of a broader All of Government (AoG) approach to energy resilience:*** We recommend that you do not support this initiative. While the investment could reduce exposure to fuel prices over time, decisions to reduce the Government's reliance on diesel and gas could be better addressed through a whole-of-government approach or in the context of New Zealand's broader energy strategy, rather than on an agency-by-agency basis. This would enable greater efficiencies to be realised and better sequencing to align with any potential market constraints. ***Other considerations*** In general, Corrections is currently facing significant cost pressures from a growing prison population and the need to main sufficient capacity. Funding this initiative could reduce Corrections' ability to deliver its existing capital plan and its priority investments for the prison network. Corrections replaces boilers at the end of their useful life with non-fossil fuel alternatives as part of its normal asset renewal program, using baseline funding. Without Budget 2026 funding, Corrections is unlikely to have capacity on its balance sheet to accelerate its boiler replacement program. If you wish to fund this initiative, we recommend this is on top of other priorities within the capital package. We assess that this initiative should not be prioritised over the capital investments included in the Law and Order package.
Treasury recommendation	**Indicate** if you want to: • **Option A:** Include the accelerated boiler replacement programme for a total cost of $76 million total capital and $2.9 million operating p.a.) *Yes / No* • **Option B:** Exclude the accelerated boiler replacement programme, with a view to consider boiler replacement as part of a wider all-of-government energy transition (**Treasury recommended)** *Yes / No*

Option	***ID***	***Operating ($m)***						***Total Capital ($m)***
		25/26	***26/27***	***27/28***	***28/29***	***29/30***	***Total***	
Option A	17564	-	0.4	1.2	4.4	5.4	11.4	75.9
Option B	17564	-	-	-	-	-	-	-

Vote Customs – Investment in Fuel Resilience – New Zealand Customs Service

Vote	Customs
Initiative ID	17562
Initiative Title	Investment in Fuel Resilience – New Zealand Customs Service

Contact details	Nicole Bares / Analyst Shelley Robertson / Manager [39]
Issue / advice sought	This initiative seeks to reprioritise one-off operating savings of $1 million from the 2025/26 financial year and convert these to capital funding as part of the New Zealand Customs Service fleet replacement programme. The additional funding will support the replacement of petrol and diesel vehicles that have reached the end of their useful life with electric or hybrid vehicles and provide additional charging stations. This will build greater fuel resilience across Customs' vehicle fleet.
Treasury advice	This initiative was developed in line with your Budget 2026 invitation to identify initiatives that invest in fuel and energy resilience. **We recommend you support funding for this initiative** which enables Customs to prioritise investments in fuel resilience. This initiative is fiscally neutral and can be funded fully by reprioritisation from one-off operating savings of $1 million from the 2025/26 financial year. Funding will support Customs' fleet electrification programme and replace vehicles that have reached useful end of life and transition to electric or hybrid vehicles. Funding will also expand the number of charging stations and build the overall fuel resilience of customs.
Treasury recommendation	**Agree** to this fiscally neutral initiative: Yes / No