

The Treasury

Budget 2025 Information Release

September 2025

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- [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] Information out of scope – the material is not related to Budget 2025

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Treasury Report: Budget 2025 Bilateral on Housing and Urban Development

Date:	27 February 2025	Report No:	T2025/472
		File Number:	SH-18-5-11-M115501

Action sought

	Action sought	Deadline
Hon Nicola Willis Minister of Finance	Discuss the contents of this report with the Minister of Housing, Hon Chris Bishop, on March 5 2025	5 March 2025

Contact for telephone discussion (if required)

Name	Position	Telephone	1st Contact
Jack Wellwood	Analyst, Housing and Urban Growth	N/A (Work) [39]	✓
Amanda Wilson	Team Leader, National Infrastructure Unit & Housing and Urban Growth	N/A (Work)	

Minister's Office actions (if required)

Return the signed report to Treasury.

Note any feedback on the quality of the report

Enclosure: Yes (attached)

Treasury Report: Budget 2025 Bilateral on Housing and Urban Development

Purpose

1. You are meeting with the Minister of Housing, Hon Chris Bishop; Associate Minister of Housing, Hon Tama Potaka; and Minister for Social Development, Hon Louise Upston; at 7:45pm on Wednesday 5 March 2025 to discuss the Budget 2025 package for Vote Housing and Urban Development.
 - a **Annex 1** provides you with a proposed agenda for the meeting and supporting Treasury advice and talking points. **This version will not be provided to portfolio Ministers ahead of the meeting.**
 - b **Annex 2** is the agenda that has – with your office’s approval – also been sent to the office of the portfolio Ministers and their agencies. It is provided for your visibility only. **You don’t need to review it – there is no material in Annex 2 that is not already in Annex 1.**
 - c **Annex 3** provides you with an annex of Treasury’s assessment of each initiative. **This will not be provided to portfolio Ministers ahead of the meeting.**
2. Decisions taken at this meeting will be reflected in the next draft Budget Ministers material we are providing you on Thursday 6th March 2025.

Recommended Action

We recommend that you:

- a **discuss** the contents of this report with Hon Bishop, Hon Potaka, and Hon Upston on 5 March 2025;

Agenda Item 1: Savings in the Housing Portfolio

- b **Clarify** with the Minister of Housing and the Associate Minister of Housing how the recent announcement to accelerate \$200 million for affordable rental properties interacts with submitted savings, and therefore available funding for new expenditure and cost pressures as a result;
- c **Ask** the Associate Minister of Housing the implications of any savings from the Te Puni Kōkiri budget on the wider housing system;

Agenda Item 2: Cost Pressures in the Housing Portfolio

- d **Ask** the Minister of Housing what risks he considers you should be aware of if only one year of funding is provided for housing support services Income Related Rent Subsidy (IRRS); and consideration of funding for other cost pressures is deferred until future budgets;

e [33]

- f **Agree** with the Minister of Housing your preferred option for addressing cost pressures in the portfolio as part of Budget 2025;

Agenda Item 3: New Spending in the Housing Portfolio

- g **Ask** the Minister of Housing what system settings will be implemented to ensure that any investment through a flexible fund, if established, will represent good value for money;
- h **Ask** the Minister of Housing how the flexible fund supports the Government's ambition to provide funding for Community Housing Providers (CHPs) through Budget 2025;
- i **Discuss** with Ministers your proposed approach to the housing flexible fund;

Agenda Item 4 – Resetting investment in Housing

- j **Ask** the Minister of Housing how the Resetting Investment review interacts with Budget 2025, including any key risks and interdependencies and advise that this paper should not pre-judge budget decisions;
- k **Advise** the Minister of Housing that if any policy decisions taken by Cabinet through the Resetting Investment review reduce savings, this will necessitate a reduction in new spending to ensure fiscal neutrality.

Amanda Wilson
**Team Leader,
National Infrastructure Unit & Housing
and Urban Growth**

Hon Nicola Willis
Minister of Finance

Annex 1 – Agenda and Supporting Advice

At Budget 2025, the Minister of Housing, through the Ministry of Housing and Urban Development (HUD), was invited to submit the following:

- One Targeted Policy Saving: *Ongoing Review of Housing Supports*,
- One New Spending Commitment: *Subsidised Housing Places: Including options for affordable rentals and additional Income-Related Rent Subsidy (IRRS) places*.

In order to ensure visibility of significant reprioritisation, the Minister of Housing also submitted cost pressures and reprioritisation options identified through the *Resetting Investment in Housing and Urban Development* review initially surfaced through the HUD Performance Plan.

At an aggregate level the Housing budget submission was fiscally neutral in nature.

Fiscal Impacts of Housing Portfolio Budget 2025 Submitted Package:

	HUD Submitted average Operating per annum (\$m)	HUD Submitted Capital \$m total	Treasury Recommended: average Operating per annum (\$m)	Treasury Recommendation Capital \$m total
Savings	(89.0)	(391.9)	(41.9)	0
Cost pressures	45.6	0	15.2	0
New spend	43.4	391.9	0	0
Net	0	0	(26.6)	0

We understand that in addition to the above, HUD have tentatively identified an additional \$11.1 million of operating funding per annum and \$183.322 million of total capital funding that could be reprioritised towards other identified priorities not captured formally in any of the budget submissions (discussed in agenda item 3).

Agenda Item 1: Savings in the Housing Portfolio

Description of key issue	<p>There are options around which savings you support as surfaced through the Housing submission:</p> <ul style="list-style-type: none"> • Contracted Emergency Housing (\$21.7 million average operating per annum) • First Home Loan (\$17.9 million average operating per annum) • Housing Infrastructure Fund (\$2.3 million average operating per annum) • Public Housing Services/ Transitional Housing (\$11.2 m average operating per annum) • Māori Housing (\$35.9m average operating per annum and \$391.9 million total capital): <p>This will influence funding available to cover agreed cost pressures and for subsequent reprioritisation.</p>
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<p>Treasury recommended talking points</p>	<p>Clarify with the Minister of Housing and the Associate Minister of Housing how the recent announcement to accelerate \$200 million for affordable rental properties interacts with submitted savings, and therefore available funding for new expenditure and cost pressures as a result.</p> <p>Ask the Associate Minister of Housing the implications of any savings from the Te Puni Kōkiri budget on the wider housing system.</p>
<p>Treasury advice</p>	<p>The Minister for Housing has formally submitted two savings initiatives informed by the Resetting Investment Review:</p> <ul style="list-style-type: none"> • <i>Savings to offset Cost Pressures (ID 16508);</i> • <i>Reprioritisation to Flexible Fund and New Investment (id 16511).</i> <p>Savings were split across these two initiatives to provide clarity on how cost pressures and new expenditure would be offset and avoid confusion and/or double counting.</p> <p>Across both initiatives, a total of five savings areas have been identified.</p> <p><u>The current draft package includes the following savings areas:</u></p> <ul style="list-style-type: none"> • Contracted Emergency Housing (\$21.7 million average operating per annum); • First Home Loan (\$17.9 million average operating per annum); and • Housing Infrastructure Fund (\$2.3 million average operating per annum). <p><u>We do not support the following savings areas:</u></p> <ul style="list-style-type: none"> • Public Housing Services/ Transitional Housing (\$11.2 m average operating per annum): the potential effects of this expenditure reduction on pressures across the wider housing system are unclear. • Māori Housing (\$35.9m average operating per annum and \$391.9 million total capital): <ul style="list-style-type: none"> ○ The implications of ending the programme, including on demand for other housing services, are unclear. Assessing these effects is also complicated by potential changes to Te Puni Kōkiri's role in the housing space, driven both Ministerial direction, and proposed savings being considered separately through other budget processes. ○ We also note that savings from ending the Māori housing programme were put forward specifically to support the establishment of a Flexible Fund which we do not recommend at this time (discussed in agenda item 3). <p>The quantum of savings taken will be a necessary constraint on spending ambitions in the portfolio to ensure a fiscally neutral package.</p>

	<p><u>Precommitment – Māori Housing (Not in Current Package)</u></p> <p>On 4 February 2025, the Associate Minister of Housing announced that the Government was accelerating \$200 million total of investment in Māori housing for the provision of 400 additional affordable rentals.</p> <p>At present, it is not clear how this announcement overlaps with reprioritisation options presented through Budget 2025 (which included all previously uncommitted Māori housing funding). The operating capital split is also unclear.</p> <p>We recommend you use the multilateral to seek clarity from Ministers on the interaction of this announcement with Budget 2025, and to note that this commitment will reduce the overall savings available in the portfolio.</p>
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Agenda Item 2: Cost Pressures in the Housing Portfolio

Description of key issue	<p>The Minister for Housing has submitted a cost pressure initiative covering funding to maintain existing service volumes (<i>ID 16057</i>):</p> <ul style="list-style-type: none"> • Volume pressure funding for housing support services IRRS payments (\$25 million average operating per annum), • Price pressure funding to maintain transitional housing levels (\$6.7 million average operating per annum), • Price pressure funding to maintain social housing (provided by Community Housing Providers (CHPs)) at current levels (\$13.9 million average operating per annum). <p>The amount agreed for cost pressures will impact savings available for reprioritisation and new priorities.</p> <p>[33]</p>
Treasury recommended talking points	<p>Ask the Minister of Housing what risks he considers you should be aware of if only one year of funding is provided for housing support services Income Related Rent Subsidy (IRRS); and consideration of funding for other cost pressures is deferred until future budgets.</p> <p>[33]</p> <p>Agree with the Minister of Housing your preferred option for addressing cost pressures in the portfolio as part of Budget 2025.</p>
Treasury advice	<p>The amount of funding spent on cost pressures will impact savings available for reprioritisation and new priorities.</p> <p>The Minister of Housing has sought \$45.6 million average operating per annum of cost pressure funding to maintain existing service volumes across the forecast period, under current policy settings as informed by HUD’s performance plan. This includes:</p> <ul style="list-style-type: none"> • Volume pressure funding for housing support services IRRS payments (\$25 million average operating per annum);

- Price pressure funding to maintain transitional housing levels (\$6.7 million average operating per annum); and
- Price pressure funding to maintain social housing (provided by community housing providers (CHPs)) at current levels (\$13.9 million average operating per annum).

The draft Budget 2025 package includes \$15.2 million average per annum operating funding for one year of volume growth (and flatlining thereafter) for housing support services IRRS. [33]

We have not included price pressures for transitional housing or to maintain social housing levels provisioned by CHPs. This is because these pressures do not eventuate until 2027/28. This is consistent with the Treasury's approach across the Budget that consideration of non-urgent pressures are deferred until future budgets.

[33]

Surfacing policy options for long term cost management is of particular importance in the housing portfolio, as costs are expected to grow significantly in the portfolio. [33]

[33]

Noting that these cost pressures will continue without intervention, you may wish to ask the Minister of Housing whether there are any risks he sees in the time-limited funding approach. We also recommend that you agree on the level of cost pressure funding to be included in the package.

Agenda Item 3: New Spending in the Housing Portfolio

<p>Description of key issue</p>	<p>Following provision for cost pressures, there are choices around how remaining agreed savings identified through the portfolio are best deployed, including whether funding is provided for HUD’s proposed flexible fund.</p>
<p>Treasury recommended talking points</p>	<p>Ask the Minister of Housing what system settings will be implemented to ensure that any investment through a flexible fund, if established, will represent good value for money.</p> <p>Ask the Minister of Housing how the flexible fund supports the Government’s ambition to provide funding for Community Housing Providers (CHPs) through Budget 2025.</p> <p>Discuss with Ministers your proposed approach to the housing flexible fund.</p>
<p>Treasury advice</p>	<p><u>Flexible Fund:</u></p> <p>Through Budget 2025, the Minister of Housing has proposed that all agreed savings not reallocated to cover cost pressures, are reprioritised into a ‘Flexible Fund’ that could enable delivery of a mix of social, affordable and market housing.</p> <p>We agree that there is a clear need for housing support and see merit in moving away from multiple, tightly scoped programmes. A flexible approach, if implemented effectively, would broadly align with the Government’s focus on shifting spending from low value to high value areas.</p> <p>However, the policy work has not yet been completed to provide evidence of the intended investment strategy and monitoring regime to ensure that investments represent value for money.</p> <p>In our view, assurance of the following is required to enable value for money investments from a ‘Flexible Fund’:</p> <ul style="list-style-type: none"> • Analysis of the relative value of different types of housing interventions that could be supported through the fund. This includes direct market subsidisation and the provision of various types of subsidised housing (e.g., social housing, affordable housing, progressive home ownership schemes), • A robust framework to guide investments and decision-making, including analysis of relative costs and benefits, and • Clear outcome and impact measures to inform future investment and make trade-offs across the continuum of interventions. <p>We have been working with HUD to better understand how a flexible fund would work in practical terms including how appropriate controls for investment would be implemented. As this work is ongoing, we cannot yet advise on whether this is the highest value use of the identified reprioritisation relative to supporting the wider fiscal position and/or other housing priorities.</p> <p>As a result, consistent with the Treasury’s Budget-wide approach, we do not recommend establishing a flexible fund through Budget 2025, and instead recommend deferring consideration to future Budgets once the policy work has been completed.</p>

However, if you do wish to establish a flexible fund through Budget 2025, we recommend setting funding aside in a tagged contingency, with drawdown subject to the policy work described above being completed. This could be equal to residual savings (after accounting for cost pressures, the Māori Housing announcement and any other housing priority decisions – see below), or less than this to enable the return of some funding to the centre.

Additional Funding for Social Housing Places:

You have also signalled a desire to reprioritise funding for additional social homes through this Budget. At present, there is currently no funding provisioned in the preliminary Budget package for this purpose, and it is not clear at this point whether the flexible fund would be used to enable this.

We recommend that you use the multilateral to clarify your wishes in this space and how this would fit with the current Budget package.

Other Considerations:

In the Minister of Housing's accompanying cover letter with his Budget submission, he also noted an ambition to provide funding for several other identified priorities not captured formally in any of the Budget submissions. This included further funding for:

- The Infrastructure Funding & Financing Greenfield Model
- A Regional Deals Secretariat (within the Department of Internal Affairs)
- A Credit Enhancement Scheme for CHPs

We understand that the Minister of Housing is writing to you to seek a late Budget invitation for these priorities. We also understand that additional savings options not currently included in the package or other processes have been identified as potential funding sources for these priorities. We will provide you with formal advice on this request, including treatment of reprioritisation options, once received.

Agenda Item 4 – Resetting investment in Housing forthcoming Cabinet Paper

<p>Description of key issue</p>	<p>There is significant overlap with Minister Bishop’s Budget 2025 submission and the <i>Resetting Investment in Housing and Urban Development</i> review due to be considered by Cabinet in late March 2025.</p>
<p>Treasury recommended talking points</p>	<p>Ask the Minister of Housing how the Resetting Investment review interacts with Budget 2025, including any key risks and interdependencies and advise that this paper should not pre-judge budget decisions.</p> <p>Advise the Minister of Housing that if any policy decisions taken by Cabinet through the resetting investment review reduce savings, this will necessitate a reduction in new spending to ensure fiscal neutrality.</p>
<p>Treasury advice</p>	<p>The Minister of Housing is intending to take a paper to Cabinet in late-March on the outcomes of the <i>Resetting Investment in Housing and Urban Development Portfolio</i> review.</p> <p>We understand that this Cabinet paper will set out the Minister of Housing’s proposed direction for the housing system. This will include the future role of government in undertaking investment in housing and urban development.</p> <p>We have discussed with HUD the importance of this paper not prejudging Budget decisions which would constrain optionality ahead of the final budget package being agreed.</p> <p>We consider that the multilateral provides a good opportunity to seek an update from the Minister of Housing on the Resetting Investment Cabinet report back and how he sees the Budget interactions.</p> <p>We also recommend that you set an expectation with the Minister of Housing that if any policy decisions taken by Cabinet through the paper which reduce Budget 2025 savings in the portfolio (e.g. the first home loan), this will necessitate a reduction in any planned new spending to ensure fiscal neutrality.</p> <p>We will provide you with separate advice in March 2025 on the broader policy decisions in this paper and its recommendations.</p>

Annex 2 – Annotated Agenda that has been referred to the portfolio Minister

Agenda

The proposed agenda for this meeting is set out below. Further details on each agenda item are set out in the tables below.

Agenda Item 1: Savings in the Housing Portfolio

Description of key issue	<p>There are options around which savings you support as surfaced through the Housing submission:</p> <ul style="list-style-type: none">• Contracted Emergency Housing (\$21.7 million average operating per annum);• First Home Loan (\$17.9 million average operating per annum);• Housing Infrastructure Fund (\$2.3 million average operating per annum);• Public Housing Services/ Transitional Housing (\$11.2 m average operating per annum); and• Māori Housing (\$35.9m average operating per annum and \$391.9 million total capital). <p>This will influence funding available to cover agreed cost pressures and for subsequent reprioritisation.</p>
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Agenda Item 2: Cost Pressures in the Housing Portfolio

Description of key issue	<p>The Minister for Housing has submitted a cost pressure initiative covering funding to maintain existing service volumes (<i>ID 16057</i>):</p> <ul style="list-style-type: none">• Volume pressure funding for housing support services IRRS payments (\$25 million average operating per annum);• Price pressure funding to maintain transitional housing levels (\$6.7 million average operating per annum); and• Price pressure funding to maintain social housing (provided by Community Housing Providers (CHPs)) at current levels (\$13.9 million average operating per annum). <p>The amount agreed for cost pressures will impact savings available for reprioritisation and new priorities.</p> <p>[33]</p>
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Agenda Item 3: New Spending in the Housing Portfolio

Description of key issue	Following provision for cost pressures, there are choices around how remaining agreed savings identified through the portfolio are best deployed, including whether funding is provided for HUD’s proposed flexible fund.
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Agenda Item 4 – Resetting investment in Housing forthcoming Cabinet Paper

Description of key issue	There is significant overlap with Minister Bishop’s Budget 2025 submission and the <i>Resetting Investment in Housing and Urban Development</i> review due to be considered by Cabinet in late March 2025.
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Annex 3 – Treasury recommendations on Housing submissions

Budget team will provide you with this early on the week of 17 February 2025.