
Identified risks in the Budget Economic and Fiscal Update 2025

Treasury identifies risks to the Economic and Fiscal Forecasts in the [Budget Economic and Fiscal Update 2025](#). We've pulled out the content of interest to local government.

New risks relevant to local government

- Rates Rebate Scheme (Expenses) Funding provided for the expansion of the Rates Rebate Scheme is based on assumptions of future demand and eligibility, including assuming a similar take-up rate by those who are eligible in 2024/25. The actual cost of the Rates Rebate Scheme is dependent on the volume of applications received, which may be different than estimated.
- Metropolitan Rail Networks (Expenses and Capital) There are cost pressures associated with the maintenance, renewal and upgrade of the Auckland and Wellington metropolitan rail networks. The Ministry of Transport is undertaking a review of the Metropolitan Rail Operating Model, which, among other things, will advise on the appropriate distribution of costs between Auckland Transport, Greater Wellington Regional Council, the National Land Transport Fund (administered by the New Zealand Transport Agency), KiwiRail and the Crown.
- Support for the National Land Transport Fund (Revenue, Expenses and Capital) There is a risk that fuel excise duty (FED) and/or road user charges (RUC) will need to be increased or additional Government funding (a loan and/or a grant) will be required to manage pressures on the National Land Transport Fund (NLTF). This relates both to the medium-term sustainability of the NLTF and to specific project pressures in the National Land Transport Programme in the period 2024 to 2027. The Government has also signalled in the Government Policy Statement on land transport that it intends to reform the land transport revenue system, including requiring all road vehicles to move from FED to RUC, introduce time-of-use charging in congested parts of the road network and increase the use of tolling. The fiscal implications of these reforms are uncertain.
- Transport Project Funding (Revenue, Expenses and Capital) The Government has signalled transport investments additional to what has already been supported through the Government Policy Statement (GPS) on land transport 2024. These investments are largely unfunded, and some of these may fall outside the scope of the National Land Transport Fund (NLTF) or are only expected to be partially funded by the NLTF. Where some funding has been provided through the NLTF, this has only been committed for the first three years that the GPS and the latest National Land Transport Programme covers (2024/25 to 2026/27), but additional investment will likely be required to complete these projects as work will extend beyond 2026/27. If the Government chooses to progress these investments, additional Crown funding, increases to land transport revenue or new revenue sources may be required. Additional investment priorities include the Roads of National Significance

programme, the Auckland – Waitematā Harbour Crossing (an indicative business case is under development), Better Public Transport, an additional Mount Victoria tunnel and residual rail projects from the former New Zealand Upgrade Programme. Many of these costs fall outside the forecast period. There are additional pressures on existing transport projects such as City Rail Link that may result in increased cost escalation.

- Rail Network Investment Programme (Revenue, Expenses and Capital) The Rail Network Investment Programme (RNIP) is a 10-year programme of planned network maintenance, operation and renewal of the national rail network. The RNIP is funded to 2026/27 and partially funded with track user charges estimated at \$20 million per annum beyond this point. Completing all works will require further funding (from the Crown and the National Land Transport Fund). At present the forecasts assume that the unfunded portion will be met by additional borrowings. This time-limited funding ceases after 2026/27
- Roads of Regional Significance (Expenses and Capital) The Government Policy Statement (GPS) on land transport sets out a series of strategically important projects for New Zealand's transport system called Roads of Regional Significance. Although referenced in the GPS, these projects are funded outside the National Land Transport Fund. With a significant level of planning still required for many projects, there is a risk that further funding is required to complete these projects.
- Forecast Operating and Capital Spending in the National Land Transport Programme (Expenses and Capital) Operating and capital expenditure is incurred on projects under the National Land Transport Programme (NLTP). The forecast split between operating and capital expenditure is based on best estimates at the time of the forecasts, but there is inherent uncertainty particularly given the nature of the projects under the NLTP, the impact of delays and rescheduling of projects across the forecast period and potential changes in the accounting treatment of projects as they are completed.
- Adaptation Policy Changes (Expenses and Capital) In August 2022, the previous Government published New Zealand's first national adaptation plan (NAP) to respond to climate change-related risks as required by the Climate Change Response (Zero Carbon) Amendment Act 2019. Since the NAP was published, the Government has also publicly signalled its intent to develop a climate adaptation framework. As this work proceeds, any new policy decisions could create costs that may require new funding with a corresponding impact on the fiscal forecasts.

Unchanged risks relevant to local government

- Reimbursement of response and recovery costs The Guide to the National Civil Defence Emergency Management Plan ('the Guide') states that, with the approval of the Minister, local authorities will be reimbursed, in whole or in part, for certain types of response and recovery costs incurred as a result of a local or national emergency.
- Going for Housing Growth – Incentives for Communities and Councils to Support Growth (Revenue and Expenses) The Government has agreed to progress work on the Going for Housing Growth package. This includes incentives for communities and councils to support growth. The nature of incentives has not been determined, as advice on this is still under development.

- North Island Weather Events – Category 2 Risk Mitigation Projects and Regional Transport Projects The Crown entered into agreements with some local authorities to help fund Category 2 Risk Mitigation and Regional Transport Projects following the North Island weather events in 2023. Funding in respect of the Category 2 Risk Mitigation Projects is released subject to the milestones and conditions provided for in the applicable project funding agreement. The fiscal forecasts include the projected utilisation of the Category 2 Risk Mitigation and Regional Transport Projects funding. The demand for the funding is influenced by the local authority's ability to fund its share of projects. Any Crown liability is contingent on local authorities submitting project proposals that meet the requirements for co-funding. Subsequent to 31 March 2025, this is no longer a contingent liability as funding has been quantified and a liability recognised.