# The Treasury

## Budget 2026 Information Release

## September 2026

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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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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# Budget Ministers 2

## Emerging Budget Package

*25 March 2026*

# Current status of the Budget package

- A number of areas of the Budget 2026 package are **small and uncontroversial, and I recommend that we agree them in principle today and delegate final decision-making to myself**. Most of these initiatives are baseline reductions through FTE reductions, contractors and consultants, and operational efficiencies.
- Following bilateral meetings, good progress is being made in the more significant areas of the Budget.
- I have also recently commissioned work on whether any adjustments are required **to address fuel price pressures on public services**, bearing in mind the expectation that most fuel price pressures will be met from existing baselines.
- The **updated package will be brought to Budget Ministers 3 on 9 April for decisions** (incorporating any feedback we provide today and following further bilaterals).
- There is still work to do to ensure the overall Budget package balances. Outstanding spending and savings decisions mean the operating package is somewhere **between $500 million over and $100 million under** the $2.4 billion operating allowance.
- [33] and this level needs to be weighed up against our fiscal strategy objectives.
- The Budget package Cabinet paper will go to Cabinet on 28 April.

# Areas for broad agreement today

| Area | Currently in package |
|---|---|
| **Natural Resources**<br>Agriculture, Biosecurity, Fisheries & Food Safety<br>Forestry<br>Conservation | • New spending initiatives are for legal negotiations and obligations.<br>• Additionally, I am discussing with Hon Potaka a proposal to support the control of **wilding conifers** through the IVL, rather than the Budget allowance ($34 million operating per annum) |
| **Population and cultural agencies**<br>Arts, Culture & Heritage<br>Statistics<br>Te Tari Whakatau | The package provides funding:<br>• to continue the **NZ Screen Production Rebate – Domestic** ongoing<br>• to upgrade the **Integrated Data Infrastructure** to meet increased demand and expand use<br>• for Treaty settlement costs. |
| **System agencies**<br>Internal Affairs<br>Prime Minister and Cabinet<br>Public Service | The package includes funding to:<br>• address the shortfall in **DPMC's** baseline to maintain core functions<br>• [33] |
| **Agencies with only baseline savings initiatives**<br>Disabled People<br>Lands<br>Māori Development<br>Pacific Peoples<br>Regulation<br>Social Investment<br>Women | • These agencies **only have baseline savings proposals**, totalling $10.5 million per annum. |

Further details on these packages can be found in the "Budget on a page" Annexes.

| **Decision sought:** | **Agree in-principle** these proposed agencies' packages and delegate final decision-making to me |
|---|---|

# Health

Health NZ will receive the final year of the three-year cost pressure precommitment ($1.37 billion). In addition I have agreed with Hon Brown a minimal number of new health initiatives within the [37] per annum operating envelope. Advice is that Health is likely to target a **deficit level between $400 to $475 million** next year, subject to ongoing detailed HNZ work and Ministerial comfort with require trade-offs. We are receiving advice on what this could mean for the Budget and what our options are.

The Ministers of Health, Infrastructure and I are receiving advice on the make-up of an **updated capital package** to understand potential trade-offs between infrastructure initiatives, and whether there are any opportunities for further scaling.

Hon Seymour and I met on Monday to discuss the Pharmac initiative. We have commissioned officials to provide advice on giving funding to Pharmac to manage costs associated with supply chain disruptions (due to the Middle East conflict).

| Envelope | Significant initiatives currently in the package | Key initiatives not prioritised |
|---|---|---|
| Operating | • Reducing the eligibility age for the **national bowel screening programme** to 50 (National manifesto) [33]<br>• Funding uplift for **road ambulances** (NZ First / National Coalition agreement) ($8.8 million operating per annum)<br>• Implementing **3 day post-natal stays** (National manifesto) ($9.3 million operating per annum)<br>• **Paediatric Palliative Care** – ensuring access to specialist services ($3.9 million operating per annum)<br>• **Core cyber security services** ($25.5 million operating in 2026/27) | Other key spending not within the package:<br>• [33]<br>• **Forensic Mental Health Services** [37] operating per annum and [37] to mitigate statutory risks<br>• **Pharmac / Medicines Budget uplift ($201.9 million operating per annum)** – could enable funding for new medicines (relevant to the National / NZF and National / Act coalition agreements) |
| Capital | • **Auckland Southern Site Acquisition** for a Future Hospital [37]<br>• **Mason Clinic Redevelopment Tranche 1C – infrastructure upgrades** [37]<br>• Project Pihi Kaha, **Whangārei Hospital Redevelopment** – First Ward Tower [37]<br>• **Regional Hospital Redevelopment Programme** Tranche 2 – Minimum Stage 1 | |

# Education and Tertiary Education

## Education

The current Education package, including reprioritisation, is within the $150 million operating package. Choices within this envelope are still being worked through. The Minister of Education is also providing options to increase capital initiatives. Key initiatives are:

- Funding for cost pressures, including a 2% increase to **School Operations Grants** ($40m operating per annum) and **KiwiSaver** costs for frontline staff ($39 million operating per annum)
- Scaled funding for new initiatives to support **curriculum changes,** including Foundations for Educational Success ($12.5 million operating per annum)
- Funding to deliver additional classrooms and land acquisition for **School Property** ($5 million operating per annum, $286 million total capital)
- **1.5% ECE cost adjustment** ($41.2 million operating per annum) and the **Healthy School Lunches** ($53.1 million operating per annum) programme continuing until the end of 2027
- [38]

Hon Seymour and I will receive further advice [33] and options to realise savings.

## Tertiary Education

I am meeting Hon Simmonds and Hon Reti to discuss the Tertiary Education priorities on Tuesday 24 March.
The current Tertiary Education package includes funding for:

- **fee increases** of 6% ($8.6 million operating per annum), and
- **volume pressures** until the end of 2027 ($80.9 million operating per annum).

I am proposing to **not fully fund tertiary volume pressures over the forecast period**. [33]

At our last meeting, we discussed the potential option of scaling back or reducing the scope of the **final year fees free scheme.**

# Law and Order

At BM1, we agreed to increase the Law and Order operating package to $300 million per annum, in recognition of the significant pressures facing the sector.

Key elements of the increased package include:

- Corrections **prisoner volume pressures** ($119.3 million operating per annum)
- [38] Corrections [38] operating per annum) **collective bargaining**
- [33] and [37]
- Implementing a new **Arms Act** and establishing **Firearms Safety New Zealand** (National / Act coalition agreement) ($5 million operating per annum)
- Funding to replace Police's Automated Biometric Identification System[38] operating per annum, [38] total capital)
- Funding for Neighbourhood Support NZ, Community Patrols NZ and Pasifika Wardens (National / NZ First coalition agreement) ($2.1 million operating per annum)

I have requested further advice on upgrading **two Police properties** and what a total $100 million capital envelope would purchase for upgrading the **Rotorua Courthouse and the Māori Land Court.**

# Defence and Foreign Affairs

### Defence and Intelligence

The proposed Defence package includes:

- Funding for investments in **Year 2 of the Defence Capability Plan (DCP)** including the Frigate Sustainment Programme Phase 2A [38] operating per annum and [38] total capital), Maritime Platform Restoration Activities – ANZAC Frigates & Canterbury ($19.9 million operating per annum and $142.6 million total capital), and Updating Classified Digital Services [38] operating per annum and [38] total capital)
- Funding to **maintain current NZDF activities** [33] operating per annum).
- A modest funding uplift for intelligence agencies to fund high-priority investments.

[33]

### Foreign Affairs

The current package includes funding to:

- Maintain the funding level of **International Development Cooperation** ($57 million operating per annum)
- [1]

This builds on the funding of [1] provided to Vote Foreign Affairs at Budget 2025. I am in discussions with Rt Hon Peters about the Foreign Affairs package, including an aid uplift and scaled funding for the Pacific Island Forum.

# Other key initiatives

The current package also includes:

- initiatives I am discussing with Hon Bishop on Tuesday, 24 March:
  - funding for **council incentives** to support housing supply growth (National / Act Coalition agreement) ($172.9 million operating per annum)
  - [33]
  - savings from Kāinga Ora's turnaround plan ($92.0 million operating per annum)
  - implementation of our **Resource Management Reforms** ($78.7 million operating per annum and $13.4 million total capital)
- creating a **gas loan guarantee scheme** ($12.5 million operating per annum)
- introducing a version of the **SuperGold Card that can be used as an official form of ID** (relevant to the National / NZ First Coalition agreement) ($9.1 million operating per annum and $6.5 million total capital)
- a cross-agency response to the **Dame Karen Poutasi report** ($22.4 million operating per annum)

# Transport

## Land Transport

Hon Bishop and I are continuing to have discussions on the Land Transport GPS 2027, following our bilateral meeting last week. This includes **options for managing core costs (particularly operating), and what Roads of National Significance (capital) we may want to fund through Budget 2026**. Key issues include:

- Confirming the level of core expenditure required to maintain the existing system.
- Scrutinising and assessing NZTA's proposed capital-to-operating swap.
- Considering what level of new expenditure is able to be progressed now. NZTA have sought commitments [33]

Hon Bishop and I have directed officials to identify options to bring NZTA's operating forecasts back within current expenditure tracks, and will seek decisions at Budget Ministers 3.

## Rail

The current rail package:

- includes funding for the **Rail Network Investment Programme** national rail freight network ($119.3 million operating per annum, $598.2 million total capital), and metropolitan rail renewals ($106.9 million total capital). These initiatives are partly offset by reprioritisation ($170 million capital).
- [33]

# Welfare

Portfolio Ministers and I have agreed to the overall structure of a welfare package. The key objectives are **making work pay**, **improving fairness**, and **fiscal savings**.

The proposed package includes:

- Increasing **income related rent from 25% to 30%** from 1 April 2027 ($91 million operating per annum), partially offset with targeted increases to **Accommodation Supplement** maxima.
- [33]
- **Temporary Additional Support formula** changes [33]

This proposed package will likely generate net savings of between [33] per annum. However, we will need to carefully consider its impacts.

Work on increasing the In Work Tax Credit to support the gap between welfare and work has been brought forward as part of the response to Middle East events. The cost of this ($93 million operating per annum) will count against the Budget 2026 operating allowance.

# Revenue

Hon Watts and I are getting closer to a revenue package that includes the following initiatives:

- Taxing outstanding **shareholder loans when lending companies are removed from the Companies Register** ($38 million savings per annum). Note that this is not the main proposal that Inland Revenue consulted on.
- Changes to the tax rules for **foreign-owned New Zealand banking groups** ($11.3 million savings per annum).
- Changes to the motor vehicles rules for **Fringe Benefit Tax** rules to reduce compliance costs for businesses (fiscally neutral).
- Phase 2 of reforms to the **Foreign Investment Fund rules** (cost of $18.8 million operating per annum).

We are also considering options to reduce the eligibility of software expenditure for the **R&D Tax Incentive** ($25 million) and simplify the rules for the **charities and not-for-profit sector**, repeal outdated exemptions, and address integrity issues related to **donor-controlled charities**. This includes options to limit **Donation Tax Credit** concessions.

Although it is not a Vote Revenue proposal, a **prudential levy** on banks ($52 million) is under consideration. An Australian-style **bank tax** is not in the current package but is also still under consideration [34]