

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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- [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 3

Updated Budget Package

Current status of the Budget package

- At this meeting I propose that we **make in-principle decisions on significant Budget packages**, subject to any changes required to respond to the Middle East conflict.
- The **updated package will be brought to Budget Ministers 4 on 21 April for any further decisions** (incorporating any feedback we provide today and following the assessment of fuel price pressures).
- We will also discuss the **operating and capital allowances for future Budgets** at Budget Ministers 4.
- I also expect to receive forecast updates from the Treasury in the coming weeks. Their early indications to me are that there is likely to be a mixed picture, but that the risks to net core crown debt are on the downside. This is partly due to likely higher contributions to the NZ Super Fund, driven by lower expected future returns.

Current operating package

Based on current decisions, the best-case scenario is that the operating package is around **\$0.1 billion over the \$2.4 billion operating allowance.**

Category	Operating \$ billion p.a.
Pre-commitments	1.5
New spending	2.2
Savings*	(1.1)
Overall package (current decisions)	0.1 over the allowance
*note this includes \$456 million savings to be progressed through future baseline reductions	

Additional costs may include:

- **Fuel reserve measures** possible costs associated with fuel purchases (costs currently unknown) or other fuel response initiatives.
- **Addressing added fuel price pressures** for limited frontline agencies or to manage public transport pressures, which could add around \$100 million of new spending.
- Possibility of needing to top up the National Land Transport Fund if we **defer planned increases in fuel excise duty**.
- [33]
- **Golden Bay cement**
- The **Foreign Affairs package**, where Rt Hon Peters has requested [33] and I propose \$275 million

Balancing the package

In responding to the Middle-East conflict, we have had to:

- **Re-evaluate the welfare savings package.** I have met with Ministers and we are proposing a net savings package of ^[33]
- ^[33]

Given the position of the package, we still need to make some significant trade-offs to ensure we manage within our \$2.4 billion allowance. **We need to consider the following initiatives:**

Initiative	Current package	Recommended approach
Bank Tax	(\$52.1 million) per annum is included from a Prudential Levy	^[34] Australian style bank tax instead of the Prudential Levy.
Ending final year's fees free	-	Around (\$200 million) per annum by including with offsetting investment in trade education. I am receiving advice on this.
Council incentives for housing growth initiative	\$172.9 million per annum for the full initiative from 2028/29	\$0 - \$25.7 million either by deferring this to Budget 2027 or a scaled version of 0.5% of the residential consent value starting from 2029/30

Current capital package

The current capital package is oversubscribed at **\$7.2 billion**, this is more than twice the capital allowance. I do not recommend we take this approach.

Category	Capital \$ billion total
Spending	[33]
Pre-Commitments	1.6
Savings	(0.8)
Overall package [33]	[33]

Considerations to lower the package:

- **Remove** [33] and [37]
- **Fund only one year of RNIP projects** (reduces by \$291 million total capital)
- [33] **Cambridge to Piarere** [33]
- Brings the capital package down to [33]

Update on key packages

	Operating	Capital	Update since Budget Ministers 2
Health	[37]	424	- Hon Brown and I have met and agreed a health package within the [37] envelope. - That envelope will include scaled funding for reducing the eligibility age for the national bowel screening programme from 58 to 56 [37] and initial work on phase 2 of the Regional Hospital Redevelopment programme [37] - The envelope will also include a cost pressure uplift for Pharmac (\$13.5 million per annum) to maintain access to medicines in light of the Middle East conflict. - We also agreed that Health New Zealand's deficit target will be \$475 million operating over 2026/27.
Education	[38]	332 - 482	- Hon Stanford and I have agreed to progress an operating package that sits below the [33] envelope for Education, including a contingency to provide targeted support for schools experiencing unmanageable fuel price pressures. - I am considering a package of between \$300 - \$450 million for additional classrooms and land acquisition for School Property
Law & Order	309	1,120	The package now includes funding for Greymouth and Whanganui police stations and upgrading the Rotorua Courthouse and the Māori Land Court (\$1.6 million operating per annum and \$100 million total capital).
Defence	282	700	I am due to receive advice from Defence on the impacts of fuel costs, and what could be deferred or reprioritised to meet those costs. The package includes all Year 2 Defence Capability Plan investments.
Foreign Affairs	69	-	- I have proposed a package of \$275 million across the forecast period - Rt Hon Peters has requested a package of [33] with the difference largely made up of additional cost pressure funding for overseas diplomatic outposts.
Revenue	(51)	-	- Hon Watts and I have agreed for the package to include savings from lowering the donation tax credit concession ceiling to \$100k (\$12.9 million per annum). - I have included an RDTI package (\$20.8 million operating per annum and \$2.1 million total capital) that reduces the cap on non-administrative software expenditure to \$3 million, as well as several small concessionary adjustments.

Decision sought:

Agree in principle to Health, Education, Law and Order, Defence and Revenue packages subject to outstanding matters and any required adjustments as a response to fuel price pressures.

Note will have further decisions on Foreign Affairs

Smaller areas for agreement

Vote	Package update
Business, Science, and Innovation & Building and Construction	- I propose to agree savings in these votes, including the 2% baseline reduction. - I am considering fiscally neutral measures in the Energy portfolio, which I will bring to Budget Ministers 4 for agreement.
Environment	- I am proposing a scaled Resource Management reform [33] - All other initiatives in this portfolio are baseline savings or reallocation of Waste Levy funding.
Finance	Most initiatives in Vote Finance relate to baseline savings or closing unused tagged contingencies.
Customs	Small initiatives relating to baseline savings target, and an initiatives around Border Security, including to fund additional overseas liaison officers funded by reprioritisation (\$1.4 million operating per annum).
Labour Market	Initiatives to ensure sufficient funding for the immigration system [33]
Oranga Tamariki	Initiatives to fund critical cost pressures in Reports of Concern (\$22.6 million operating per annum) and the increasing number of children in care with complex need (\$23.4 million operating per annum). These initiatives include funding to ensure changes to how OT manages these cases to reduce future cost pressures.
Social Development	Outside of welfare reform initiatives, I am proposing funding for: - the Dame Katen Poutasi response (\$19.3 million operating per annum), - continued funding for Food Secure Communities and KickStart breakfast programme (\$9.5 million operating per annum), and - SuperGold card as a form of identification (\$9.1 million operating per annum).
Welfare Reform	[33] package consistent with proposed changes at Budget Ministers 2 [33] [33] This includes: - increases to tenant contribution to housing costs [33] offset by increases to the Accommodation Supplement [33] - formula changes to temporary additional support [33] - Other smaller changes [33]

Decision sought:

Agree the packages for these agencies in-principle, subject to outstanding matters and any required adjustments as a response to fuel price pressures.

Annexes: Budget packages

Health

Key updates since BM2:

- Since Budget Ministers 2 I have included a cost pressure uplift for Pharmac (\$13.5 million per annum) to maintain medicines access in light of the Middle East conflict and provide ongoing headroom as these costs ease; and we have announced an uplift to in between travel costs for home and community support services.
- Hon Brown and I have agreed to include scaled funding for reducing the eligibility age for the national bowel screening programme to 56 from 58 ^[33]
and initial work on phase 2 of the Regional Hospital Redevelopment programme ^[37]
- We also agreed that Health New Zealand’s deficit target will be \$475 million operating over

2026/27 Overview of the Health package

Significant initiatives currently in the package		Key initiatives not prioritised
Operating	Key elements of the package remain unchanged since Budget Ministers 2, except scaled funding for reducing the eligibility age for the national bowel screening programme to 50 ^[37]	^[33]
Capital	Key elements of the package includes Whangārei Hospital Redevelopment – First Ward Tower ^[37] and scaled funding for phase 2 of the Regional Hospital Redevelopment programme ^[37]	Hon Brown and I have agreed to not include the National Remediation Programme - Tranche 2 ^[33] and ^[37]
Total Package	Up to ^[37] operating \$424.2 million capital	

Education

Key updates since BM2:

- Hon Stanford and I have agreed to progress an operating package that sits within the ^[33] per annum envelope for Education, including a contingency to provide targeted support for schools experiencing unmanageable fuel price pressures.

Overview of the Education package

Significant initiatives currently in the package		Key initiatives not prioritised
Operating	The Education package focuses on addressing key cost pressures, such as KiwiSaver changes (\$39.3 million per annum), and limited new spending priorities, such as a primary education package (\$33.2 million per annum).	Minister Stanford and I have agreed to defer some discretionary new spending initiatives.
Capital	I am considering a package of between \$300 - \$450 million for additional classrooms and land acquisition for School Property	Minister Stanford and I have agreed to rule out consideration of larger options for investments in school property maintenance, upgrades, and growth and expansion, given the fiscal context
Total package	^[38] \$331.6 - \$481.6 million capital	

Law and Order

Key updates since BM2:

- There have been minimal changes since Budget Ministers 2, and other than potential fuel costs I consider it settled.
- The package now includes funding for **Greymouth and Whanganui police stations** and upgrading the **Rotorua Courthouse and the Māori Land Court**.

Overview of the Law and order package

	Significant initiatives currently in the package	Key initiatives not prioritised
Operating	The package is largely focused on cost pressures and the only new spending proposals are the new Arms Act and establishing Firearms Safety New Zealand (\$5 million per annum) and funding for Neighbourhood Support NZ, Community Patrols NZ and Pasifika Wardens (\$2.1 million per annum).	I have not included lower priority cost pressures, and further funding for Firearms reform will be required at a future Budget.
Capital	Key elements of the package includes ^[33] and ^[37] and Courthouses (\$1.6 million operating per annum and \$100 million total capital), and I am also proposing to fund Greymouth and Whanganui police stations ^[38] operating per annum and ^[38] total capital)	I have decided not to include investment in further police property initiatives in this Budget.
Total package	\$309.0 million operating ^[33]	

Defence and Foreign Affairs

Key updates since BM2:

- I am due to receive advice from Defence on the impacts of fuel costs, and what could be deferred or reprioritised to meet those costs.
- Rt Hon Peters and I are continuing to have conversations on the composition of final package for Foreign Affairs for Budget 2026.

Overview of the Defence and Intelligence package

	Significant initiatives currently in the package	Key initiatives not prioritised
Operating	Cost pressure funding to maintain current NZDF activities (\$63.5 million per annum) and uplift for intelligence agencies.	I have decided not to fund additional cost pressures or workforce growth
Capital	All year 2 investments of the Defence Capability Plan (\$124.6 million per annum and \$700.1 million total capital)	We are currently not deferring any initiatives from the Defence Capability Plan.
Total package	\$281.8 million operating per annum \$700.1 million total capital	

Overview of the Foreign Affairs package

	Significant initiatives currently in the package	Key initiatives currently not in the package
Operating	I have proposed a package of \$68.8 million (or \$275 million total over the forecast period).	An additional ^[33] which would include cost pressures in the offshore diplomatic network
Total package	\$68.8 million operating	

Transport

Key updates since BM2:

- Hon Bishop and I have narrowed down the options for funding the Land Transport GPS 2027 and we are receiving more advice on how to minimise the OBEGALx impact.
- However, we propose to provide some funding for **Roads of National Significance**
^[33]
- There is also the option to fund the **Cambridge to Piarere** ^[37] capital) but would result in higher capital allowance and more debt.

Revenue

Key updates since BM2:

- Hon Watts and I have agreed for the package to include savings from lowering the **donation tax credit concession** ceiling to \$100k (\$12.9 million operating per annum).
- I have included an **RDTI package** (\$20.8 million operating per annum and \$2.1 million total capital) that reduces the cap on non-administrative software expenditure to \$3 million, as well as several small concessionary adjustments.

Overview of the Revenue package

	Significant initiatives currently in the package	Key initiatives not prioritised
Operating	In addition to the above developments, the package includes the following (consistent with BM2): • Additional revenue from compliance activities for individuals and changes to rules for shareholder loans when lending companies are removed from the Companies Register. • Lower revenue from reforms to the Foreign Investment Fund rules (cost of \$18.7 million per annum).	An Australian-style bank tax is not in the current package but is also still under consideration ^[34]
Total package	(\$51.0) million operating savings	