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).

Where this is the case, the relevant sections of the Act that would apply have been identified.

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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Budget Ministers 4

Finalising the Budget 2026 package

21 April 2026

Current status of the Budget package

- At Budget Ministers 3 on 9 April, we agreed in-principle to the majority of the Budget 2026 package.
- At today's meeting I propose we discuss and agree to most of the **outstanding elements of the package**. This includes decisions on:
  - initiatives **responding to fuel pressures,**
  - key issues in areas such as Transport, Foreign Affairs, Housing, and Tertiary Education, and
  - the **operating and capital allowances for future Budgets**.
- There is likely to be a small number of outstanding issues that we won't resolve today. I will present my decisions on these to Budget Ministers via our offices ahead of recommending a final Budget package to Cabinet in early May.

Outstanding areas for agreement (1)

Area / Vote	Update since Budget Ministers 3
Tertiary Education	• I am proposing **ending the Final-Year Fees Free scheme** from 31 December 2026, with no grandparenting for existing learners. This results in total savings of $1,055.2 million. • These savings would be partially offset by funding of $194 million over the forecast period, which will ensure an **additional 1,000 more Youth Guarantee and a doubling of Trades Academy places to 20,000**, funding for Industry Boards to develop industry-led school subjects, and a 2% funding rate increase for foundation education.
Transport	• [33] • Transport capital is discussed on slide 7.
Education	• I have agreed to a package of $470 million total capital for the **school property portfolio**. This funds both maintenance (enabling redevelopments for up to 10 schools) and growth (providing for an additional 223 classrooms). [37] of this is allocated towards land acquisition in Queenstown.
Energy	• I have received a **revised fiscally neutral energy package** from Hon Brown, funded by reprioritising underspends in the Government Investment in Decarbonising Industry Fund and Warmer Kiwi Homes, and ending support for Ara Ake (a government funded entity set up to develop clean energy technologies). This results in total savings of $87.4 million over the forecast period. This would fund: ○ EECA supporting implementation of the gas loan guarantee scheme ($5.9 million) and continuing energy innovation programmes previously led by Ara Ake ($3 million). ○ [33] and providing $20 million to contribute funding for an Energy package for schools. The current budget package also includes $48 million over the forecast period in new funding for the gas loan guarantee scheme.
Decision sought:	**Agree** in principle to packages above.

Outstanding areas for agreement (2)

Area / Vote	Update since Budget Ministers 3
Housing	• I understand that Hon Seymour and Hon Bishop met on 16 April to discuss the **Council Incentives initiative** in Vote Housing. I propose a $400 million operating over the forecast period funding envelope, with Hon Seymour and Hon Bishop to confirm final policy details.
Foreign Affairs	• The current package includes a **$275 million operating over the forecast period Foreign Affairs package**. I understand Hon Seymour was intending to meet Rt Hon Peters to discuss whether this package could be scaled back further. • **I have agreed to include the Ministry of Foreign Affairs in the outyear baseline reduction**. This results in a $28.6 million reduction from each of 2027/28 and 2028/29, providing $142.8 million savings over the forecast period.
Revenue	• I am meeting with Hon Seymour on 22 April to discuss the proposal to introduce an Australian-style bank tax [34] of the Prudential Levy ($209 million over the forecast period) which is currently included in the Budget package. • A Prudential Levy would replace Crown funding with a new levy to cover the costs that the Reserve Bank incurs in performing its statutory functions. This is akin to the levies system already used by other financial regulators (such as FMA and Commerce Commission).
Other	• I have a further discussion with Hon Potaka on the **Wilding Conifers** initiative to determine the balance between funding from the Budget allowance and the International Visitors Levy. The package currently includes $79.2m over three years funded through the International Visitors Levy. • I have agreed to a contingency of $60 million over forecast period to explore a range of credible options to support **Golden Bay Cement**. There is a paper going to Cabinet on 28 April to seek agreement for support options. • In Vote Māori Development, I have provisioned $40 million total to Te Māngai Pāho and $8 million total to **Whakaata Māori to address fiscal cliffs and in the absence of this funding they would lose almost 20% of their baseline.** • I have proposed [38] over the forecast period towards organizational, regulatory, and ICT change to enable **Firearms Reform**.

Decision sought:	**Agree** in principle to packages outline above (with exception to Revenue). **Note** I will agree the Revenue package, subject to my discussions with Hon Seymour on the bank tax proposal.

Fuel related initiatives

I propose that we fund a range of fuel related initiatives with a focus on the delivery of essential services. These total $420.2 million total operating and $75.9 million total capital.

Area	Currently in package	Details
Corrections	• $2.6 million operating in 2026/27 for fuel pressures • $75.9 million total capital and $11.4 million total operating for energy resilience	• Funds heating at custodial sites, offender transport, and staff travel costs. • Funding to replace 160 boilers across six sites by 28/29 and reduce the prison network's reliance on diesel.
Education	[37] total across 2025/26 and 2026/27, within existing [33] envelope	Funds the increased cost of delivering education services [33] and anticipated policy changes to support in-person teaching and learning if fuel price pressures increase in quantum and duration.
FENZ	$3.5 million total across 2025/26 and 2026/27	Funds fuel cost pressures associated with critical activities by FENZ and contracted services (e.g. aviation response from third-party providers).
Health	[37] total over the forecast period (within existing envelope)	• [37] total contingency for fuel-related cost pressures in the health sector. • This funding is on top of the $24.2 million total across 25/26 and 26/27 that Cabinet already agreed to for the In-Between Travel and National Travel Assistance Scheme.
Police	$4 million total across 2025/26 and 2026/27	Funds fuel cost pressures for operational activities including vehicle, maritime and aviation fleets, and contracted operations.
Transport	[37]	To create a contingency to fund diesel cost pressures for Public Transport Authorities to ensure that existing service levels can be maintained, subject to further development.
Commercial fuel supply proposals	Up to $200 million total	Cabinet has agreed to proceed with negotiations with fuel importers to provide additional fuel stockholdings. The expected cost is uncertain at this stage and subject to further work.
[33]		

Decision sought:	**Agree** in principle to the fuel related package.

Current capital package

At our last meeting, we discussed progressing a smaller capital package for Budget 2026 of around $4-5 billion. This is largely achieved through:

- not progressing [33] and [37] this Budget
- considering funding ranges for the Transport GPS between [33]

Based on the above the current range of the capital package is **at $4.2** [37] This ranges from[37] above the current capital allowance.

Category	Capital $ billion total
Spending	3.4 [37]
Pre-Commitments	1.6
Savings	(0.8)
Overall package	4.2 [37]

Transport - Capital

Hon Bishop and I are continuing to have discussions on the **capital funding options for Transport**. These include the following options, which will need to be refined in the coming days.

The total net new capital assumes that [37] of the costs will be met from NZTA's balance sheet (as a result of undrawn loan facilities available for reallocation within NZTA). Further savings are being investigated through reallocation of existing pre-implementation funding.

Option	Total net new Capital $b	Detail
[33]		

Resilience projects

- Indicative costings are based on some critical risks and strategic freight and/or lifeline priority routes, including, but not limited to [33] SH25 Overslips/flood protection, [33]
- NZTA has a full list of resilience projects and this number can be scaled up or down.

Baseline reduction

- The Budget package currently includes of operating savings from setting a baseline reduction of 5% for 2027/28 and 5% 2028/29. This is in addition to the 2% savings that we have agreed to through this Budget process.

Savings from the 5% + 5% baseline reduction

2026/27	2027/28	2028/29	2029/30	*Average*
-	393.0	785.9	785.9	*491.2*

- This reduction will apply to most agencies' operating baselines except **frontline core services** that we have been providing funding envelopes (health, education, defence, law & order).
- The 5%+5% does not apply to agencies' entire baselines. As well as technical adjustments, it also excludes some areas of spending with **significant review and savings processes underway**, such as social housing or welfare.
- My commissioning will be clear that there should be a **primary focus on workforce costs and transforming the way the public service operates**, in line with the planned Public Service Transformation Cabinet paper.
- While the total rate of reduction is higher than at Budget 2024, the overall level of savings is **slightly lower** as it will not apply to some core service agencies.

Outyear allowances (Budget 2027-29)

I have received advice from the Treasury on the operating and capital allowances for Budgets 2027, 2028 and 2029. I agree with their recommendations and intend to seek Cabinet's agreement in the Budget Cabinet paper.

Budget	Capital Allowance	Operating Allowance
Budget 2027	$3.5 billion	$2.4 billion
Budget 2028	$3.5 billion	$2.4 billion
Budget 2029	$5.0 billion	$2.4 billion

- Maintaining the **operating allowance at $2.4 billion per annum** will allow us to continue making progress on fiscal consolidation and **a return to an OBEGALx surplus by 2028/29**. Managing within these allowances will continue to be challenging, especially in the context of higher inflation and increased uncertainty related to the Middle East conflict.
- I consider that maintaining the **capital allowance at $3.5 billion for Budgets 2027 and 2028** is appropriate due to the existing pipeline of investments, delivery limitations for key agencies, and available policy levers to improve the affordability of the capital pipeline. I have **agreed to increase the capital allowance to $5 billion at Budget 2029** to reflect the high level of priority investments expected in this year.