The Treasury

Budget 2026 Information Release

September 2026

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Information Withheld

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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From:	Adam McDonald Ball [TSY]
To:	^Parliament: Simon McLoughlin
Cc:	Mark Sowden [TSY]; Stacey Wymer [TSY]; Udayan Mukherjee [TSY]; Awhi Fleming [TSY]; Jon Cable [TSY]
Subject:	Initial advice on PSC Cabinet paper on operating model changes
Date:	Monday, 18 August 2025 4:28:05 pm
Attachments:	image001.png

Kia ora Simon,

As Awhi flagged to you last week, PSC has shared a draft Cabinet paper on proposed changes to the public sector operating model. We've shared our views directly with PSC. We understand Minister Collins intends to discuss this proposal with Minister Willis (and potentially the Prime Minister and Minister Bishop) at a meeting on 19 August. We've prioritised quick and initial advice given the Minister's meeting tomorrow. We can provide further analysis as needed, including on aspects of the paper we've not yet had sight of.

Key points for MoF

The paper has a section on Budget strategy. We expect MoF would want this removed as she will expect to lead this herself with Cabinet.

There is a clear need for public sector reform. Treasury supports the paper's vision to: organise services around citizens and businesses; centralise certain decision-making for system-wide benefits; adopt a digital-first approach, including AI deployment; and focus on efficiency and value with an invest-to-save mindset. We're also supportive of the concept of consolidating the public service, however, there are three areas that can be strengthened (see below).

1. **Where to focus**

Although we haven't seen the drafting, we understand that one of the three proposed front-runners for structural change is reforming MfE, MHUD, and MoT. We agree this has merit and could support the economic growth agenda. We are unsighted on the other two priorities for reform. We suggest focusing on sectors that would have the greatest impact for the Government's priorities, and particularly its fiscal strategy, as opposed to marginal changes that may have minimal benefits. Structural change would be progressed alongside digitisation, which we support.

2. **Getting the implementation right**

We need a strong implementation plan and a good team to support the change. For instance, structural change will affect accountabilities. In particular, the impact of centralising decision-making on Chief Executive accountability to Ministers and the impact of service centralisation on agency responsibilities.

3. **Clear benefits and costs**

The paper presents benefits which are aspirational in scale and timeframe. We want to see what success will look like – for instance, evidence behind the statement that consolidation will reduce the $8 billion annual economic cost of public sector fragmentation appears weak.

Structural change has transaction costs, including financial costs and lost productivity. The paper offers a "conservative" estimate of $10 m per merger. This appears to be drawn from a literature review which found "several studies have estimated the average direct costs [of a merger] to exceed $10 m, with indirect costs ('productivity dip') estimated to be at least as large." These costings need further testing.

Recommendation

We suggest that MoF reaffirms the need for the central agencies to work together on the strategy for achieving the vision and its execution.

Thanks,

Adam McDonald Ball | Te Tai Ōhanga **The Treasury**
Spending Review, Senior Analyst
Public Sector Performance
īmēra email: adam.mcdonaldball@treasury.govt.nz waea pūkoro mobile: [35]
treasury.govt.nz | LinkedIn | Youtube