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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19 May 2026

Iain Rennie CNZM
Secretary to the Treasury
The Treasury

By email: iain.rennie@treasury.govt.nz

Tēnā koe Iain

We are writing following the recent Ministerial announcements on Public Service transformation to confirm next steps and the support available to help you implement them. This provides an opportunity for us collectively to make the shifts in the operating model we have long talked about, to deliver better to New Zealanders, invest our people and make efficient use of taxpayer dollars.

Delivering transformation means changing how we operate: reconsidering service delivery models, increasing technology uptake, and using digital and AI deliberately and in targeted ways, supported by appropriate assurance and capability. It will also require a greater willingness—by both Ministers and Chief Executives—to embrace well-managed, evidence-based risk. Successful change will also require Ministers and agencies to reconsider policy settings, which are a key driver of departmental spending and headcount.

This is a system change, not a single decision, and how it is led will be critical to success. As a leadership team, we have been working on the opportunities to enable this for some time.

It is also intended to lock in efficiency and productivity gains, supporting further savings and a smaller Public Service workforce. The Government is very clear on the productivity benefits they expect to realise through transformation. These have been communicated to your Minister(s) as appropriate, including that:

- Your department is part of the Budget 2026 Baseline Reduction Programme, requiring savings of 5% eligible baselines in each of the next two years (2027/28 and 2028/29).
- All departments are expected to contribute to an overall Public Service target of below 55,000 FTEs by July 2029 [33]

We recognise the scale of what is being asked and the trade-offs this will involve for Chief Executives and agencies.

This work will be challenging. This scale of change will require us to work differently, including thinking beyond individual agencies. You will not be doing this work alone. We will work with you as required collectively and in groups – to develop, test, and lead transformation proposals that are coherent, deliverable, and sustainable.

Support to manage this change

Strong communications, coordination, and leadership from Chief Executives will be critical through this programme.

As central agencies, we are committed to support you to help you manage through change. Treasury's managers responsible for Votes will support the immediate actions to deliver [33] Your Assistant Commissioner is your first contact for transformation and change. Your PAG advisor will help align work with Government priorities and test future direction setting. Collectively we will ensure alignment and the realisation of opportunities across the system.

How we lead through this is as important as what we do as a system. Looking after your wellbeing, and that of your leadership teams, is fundamental to sustainably delivering what we need to do. We need to lead by example to signal the kind of Public Service we are building for the future.

We know the responsibility you carry is significant. We have been talking about how the system needs to change, and now is our opportunity to make it happen.

Please continue to support one another and share insights with each other. We will continue to focus on this at our PSLT meetings.

Thank you for your leadership.

Ngā mihi nui

Sir Brian Roche KNZM
Public Service Commissioner | Head of Service

Ben King
Secretary of the Department of the Prime Minister and Cabinet

Iain Rennie CNZM
Secretary to the Treasury

Appendix one – Process and next steps

Communications

We have provided your Head of Communications with talking points you can use to communicate internally with your staff following the announcement.

Upon announcement it will be too early to say what the potential impact will be on individual agencies but there will be an impact. To help agencies respond to OIAs or media queries you may receive on this, we ask that these be directed to the Public Service Commission in the first instance where we will coordinate responses.

Upon announcement Treasury will communicate with CFOs and the Commission with Heads of HR and Communications. They will be notified of the proposals and provided with initial advice, while central agencies will more thoroughly brief them over the proceeding days.

Process

[33]

will focus on the transformative elements, including a clear process for achieving the 30 June 2029 FTE target. Individually and collectively, we will need to submit proposals setting out how we will meet the Government's expectations while delivering transformation. [33]

This work will feed into Budget 2027 and associated performance planning processes. We will issue further guidance on the proposal process in the coming weeks.

How central agency processes will integrate with your planning

In practice, transformation will look different across agencies.

- Where the Government prioritises operating model opportunities, the Commission will partner with Chief Executives to design new operating models for clusters of agencies, building on the approach used for MCERT.
- The Government Digital Delivery Agency (GDDA) will lead the Digital Government Target State work programme (including digital public infrastructure, AI uptake and service modernisation) and engage with you on implementing digital clusters. Chief Executives can work with GDDA on digital optimisation as part of efficiency plans; the GDDA work programme will also direct digital investment and procurement prioritisation. We will provide guidance on workforce design principles to support your workforce strategies, and we will review the workforce policy statement to ensure alignment with the Government's expectations.
- Planning processes and capability will be important to demonstrate our ability to deliver high performance and value for money. Performance Plans will continue to be a critical assurance mechanism for this. It is through this that we can highlight potential trade-offs and possible

effects of differing proposals to deliver services within specific fiscal parameters. We will continue to look for demonstrable improvement in the quality of Performance Plans.

- The Budget process enables Ministers to make effective choices, across Government, for reprioritisation and investment to achieve their policy objectives and enable high performance. We will support Ministers to enable these processes to be longer-term and strategic.

Next steps

- 19 May – Public Announcement – PSLT pre briefing (completed)
- 21 May – PSLT Advance – check in
- Week of 25 May – TSY technical guidance [33]
- 26 May – PSLT meeting – Iain led Q&A [33]
- 5 June – PSLT Retreat – focus wider transformation
- 15 – 19 June – key messages for scrutiny week.
- [33]
- 1pm 30 July – Performance Plans submitted
- [33]

FOR MONITORING AGENCIES ONLY

Crown entities make a critical contribution to the delivery of services for New Zealanders. Public Service transformation must be cognisant of the contribution and opportunities provided by Crown entities. While Crown entities are not directly subject to the FTE targets set by the Government, Ministers are asking that they adhere to the fiscal and workforce discipline expected of the Public Service. Responsible Ministers have been asked to reflect these when setting their expectations to Board Chairs. As a monitoring department you should support this process for your Crown entities, including regular engagement on what they are doing and how they are tracking.

Crown entity services and spending should be reflected in Performance Plans and Crown entities will be subject to transformation workstreams, such as the Digital Government Target State. It will be important for you to involve Crown entity leaders, as appropriate, in your planning.