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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Hon Nicola Willis

Minister of Finance
Minister for Economic Growth
Minister for Social Investment

19 May 2026

Hon Paul Goldsmith
Minister for Arts, Culture and Heritage
Parliament Buildings

Dear Paul

On Tuesday 28 April, Cabinet agreed to reforms to transform the public service to become digitally enabled, efficiently structured, and more effective at embracing and developing talent. Public service transformation requires both immediate action and sustained effort over the medium-term. I am writing to set out the steps involved in delivering transformation and outline how this will interact with Performance Plans and the decisions we have made at Budget 2026.

Together we have already achieved some improvements in public service performance. These improvements have come alongside a sustained period of fiscal consolidation. More needs to be done to meet New Zealanders' expectations for a step change in public service performance while returning OBEGALx to surplus on an acceptable timeframe. This will require ongoing improvements to the quality of public services.

Public service transformation and baseline reductions

Improvements to the public service will result in more efficient services for New Zealanders. Locking in the productivity and efficiency benefits of transformation will result in additional savings and reductions in the size of the public service workforce.

In the six years from 2017-2023, baseline budgets increased 73% and FTE increased from 47,000 to 60,000. Those increases are not sustainable.

Cabinet has agreed to a baseline reduction target for eligible agencies of 5 per cent from 2027/28 onwards and another 5 per cent from 2028/29 onwards [CAB-26-MIN-0156 refers].

Cabinet has also agreed an in-principle target to reduce public service FTE to below 55,000 by 30 June 2029 [CAB-26-MIN-0138 refers]. [33]

The proposals [33]
apply to departments and departmental agencies (non-public service departments are excluded).

We expect that reducing the number of public service employees will contribute to agencies achieving their baseline reduction targets.

Taken together, these expectations will help us to realise the productivity benefits of transformation.

Private Bag 18041, Parliament Buildings, Wellington 6160, New Zealand

Targets for your agency

[33]

Ministry for Culture and Heritage is included in the baseline reduction exercise.

- Your 5% savings target for the 2027/28 financial year is: **$22.697 million.**
- Your further 5% savings target for the 2028/29 financial year is: **$22.697 million.**

Further details about the calculation of [33] the baseline reduction exercise are set out in Annex A.

Application to Crown entities

We have agreed that Crown entities are expected to adhere to the fiscal and workforce discipline expected of the public service. I am asking you to reflect these expectations when setting out your priorities to Board Chairs, including a reduction in FTEs in line with the expectations of the public service transformation goals.

[33]

the deadline for Performance Plans has been extended from June to July 2026.[33] Performance Plans need to be submitted to central agencies by 1pm 30 July 2026. Please ensure you consider and confirm your agency's submission.

[33]

Chief executives will receive further details to support implementation, [33]

[33]

This will require sustained effort from the public service over the medium-term. [33]

We expect this will involve streamlining the public service operating model to reduce the number of agencies and amalgamating them around customer-facing functions, which will be supported by a strategy to attract, retain and grow talent in our public service, increased digitisation and the utilisation of common technology platforms. The Public Service Commissioner will work with chief executives collectively and in groups to develop and lead transformation proposals.

Next steps

I ask that each portfolio Minister writes to me by 30 July 2026 to confirm the completion of your Performance Plan [33]

Yours Sincerely,

Hon Nicola Willis

Minister of Finance

CC. Hon Mark Mitchell, Minister for Sport and Recreation

Leauanae Laulu Mac Leauanae, Chief Executive and Secretary, Ministry for Culture and Heritage

Annex A: Further details to support implementation

Identifying savings options

We expect savings from the following areas:

- core departmental expenditure rather than non-departmental expenditure for services delivered by partners;
- scaling or closing low-value programmes and policy areas;
- consolidating Crown entities where feasible; and
- invest-to-save initiatives (where these are realistic, realisable, and result in overall savings over the forecast period that are ongoing).

For most departments, it is likely that a significant portion of the savings target can be met through savings from transformation activities, such as:

- structural changes through consolidating service support functions [33] and
- departmental efficiencies (such as through realising benefits from digitisation or automation, reducing contractor and consultant spending).

Options to achieve savings targets should:
[33]

- include details on what the scaled or closed activities and programmes will be; and
- explain what appropriation changes are required to implement the savings.

Further information on the process for presenting these options will be provided to your agency by the Treasury alongside detailed guidance in the coming weeks.

Methodology for baseline reduction targets

Baseline reduction targets are based on the average baseline spend across the forecast period (2026/27 to 2029/30), as presented at Budget 2025, with certain expenditure areas excluded. This forms the agency’s eligible base.

The following methodology has been used to calculate agency’s eligible bases, from which baseline reduction targets are derived:

- All departmental and non-departmental operating expenditure is in scope.
- The following non-discretionary or unsuitable expenditure areas are excluded from scope across all agencies:
  - benefits or related expenses;
  - finance costs;
  - permanent legislative authorities;
  - capital;
  - departmental third-party revenue/levy-funded, departmental revenue from other departments/State Owned Enterprises/Crown entities, and other cost-recovered expenses (where these are known);
  - most “other expenses” appropriations (except for where these have been identified as discretionary); and
  - by exception, other case-by-case amounts of spending deemed unsuitable for including in an eligible base.

[33]