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

[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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TE TAI ŌHANGA
THE TREASURY

Date: 25 September 2025

To: Minister of Finance (Hon Nicola Willis)

Deadline: 29 September 2025
(if any)

Aide Memoire: Talking Points for Cabinet (29 September) on Budget 2026 Strategy and Process

1. You have an item on the agenda for Cabinet on 29 September 2025 11:00-1:00 pm. You will be discussing the Cabinet submission *Budget 2026 Strategy and Process.* This submission seeks Cabinet's approval of the strategy and process for Budget 2026. It also seeks approval to commission Performance Plans for 2025/26.

2. As requested, this Aide Memoire provides you with draft talking points (see Annex 1) to support your engagement at Cabinet.

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Annex 1: Talking Points for Cabinet on Budget 2026 Strategy and Process

Context for Budget 2026

- The New Zealand economy is recovering from a deep and protracted economic downturn. Since Budget 2025, economic developments have been mixed, but conditions remain in place for a broad-based recovery.
- The economic challenges facing New Zealand place an even greater emphasis on our commitment towards the Government's fiscal strategy.
- Achieving our fiscal strategy will require us to deliver Budget 2026 within an operating allowance of $2.4 billion. There is approximately $900 million remaining of this allowance following pre-commitments in health and defence.
- The Treasury estimates costs are expected to be around [1] and [33] and therefore savings and reprioritisation of around [1] and [33] will be required. If such savings cannot be achieved, new spending will have to be scaled.

Budget 2026 design and process

Approach to operating expenditure

- I propose a broadly similar approach to the strategy and design of Budget 2026 as at Budget 2025 which means:
  - there will be a top-down invitation process for new spending, where portfolio Ministers can only submit initiatives that are invited into the process. I will work with Budget Ministers to issue Budget invitations in October;
  - most agencies and Ministers will not receive an invitation for new spending and instead need to manage within existing baselines;
  - the limited invitations for new spending will focus on meeting outstanding coalition commitments and critical cost pressures, and there will be funding envelopes for Health, Defence, Education, and Law and Order; and
  - most Ministers who are invited to submit an initiative for new spending will be required to submit scaling and reprioritisation options to enable Budget Ministers to make trade-offs.
- Agencies that require PSC approval for collective bargaining must give effect to the guidance on personnel costs, and I expect that other entities to reflect this expectation in their financial planning.
- Agencies not receiving a funding envelope will need to manage the costs associated with the increase in KiwiSaver employer contribution within existing baselines.

Approach to Capital expenditure

- For Budget 2026, we need to focus on increasing economic growth and productivity-enhancing investments and supporting the delivery of core public services.
- Requests for capital expenditure at Budget 2026 (and in future Budgets) are likely to exceed the [1] and [33] capital allowances but Budget Ministers are open to a capital package that exceeds this allowance if high-quality investment opportunities are available.

- A longer-term view of capital investment is clearly required. In the meantime, for Budget 2026, I intend to issue a broad range of invitations for projects that are aligned to the Government's priorities and are consistent with agencies' improved investment planning.
- While I will issue a broad range of capital invitations, I expect Ministers and agencies to demonstrate that Budget initiatives are investment ready and to put forward asset recycling options from within their own balance sheet before submitting new capital proposals. Projects will generally not receive Budget funding in the absence of a Cabinet approved business case.

Approach to savings

- There are several savings workstreams currently underway for Budget 2026.
    - I am considering a baseline reduction exercise for at least Budget 2026, and potentially the next three Budgets. For agencies, this will involve a targeted reduction, in percentage terms, supported by the Public Service Commission's work on the public sector operating model
    - With relevant Ministers, I am progressing work in [33] to improve policy outcomes while reducing Government expenditure in the medium-term.
    - The Tax and Social Policy Work Programme includes a number of tax initiatives, including revenue-positive measures, that are progressing on a Budget 2026 timeline.
    - There are also a few targeted policy savings I intend to invite into the process.
- It is unlikely that these workstreams will yield enough savings. Therefore, I ask Ministers for their support in identifying further options over the coming months.

Performance Plans

- Performance Plans are an opportunity for us to challenge departments to improve their performance and drive transformation within the public service.
- My expectations are clear - chief executives need to re-establish a culture of fiscal discipline, and this means demonstrating how they will manage within baselines over the forecast period and not just through to the next budget.
- Building on lessons learnt from last year, the other focus areas are better demonstrating value and performance, and providing greater visibility of Crown entity performance.
- We have made changes to the process and design of Plans to support departments in meeting these expectations.
- You should expect your department to outline to you its planning process and your opportunities to engage. Final plans are due after Budget 2026 is finalised.