The Treasury

Budget 2026 Information Release

September 2026

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[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

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[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

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[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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Treasury Report: Overview of Budget 2026 Submissions

Date:	23 January 2026	**Report No:**	T2026/81
		File Number:	BM-2-4-2026-M132818

Action sought

	Action sought	Deadline
Hon Nicola Willis **Minister of Finance**	**Provide feedback** on the approach to Budget Ministers meetings **Indicate** whether you wish to invite further savings options to B26 **Agree** to write to Ministers on initiative reprioritisation options	26 January 2026

Contact for telephone discussion (if required)

Name	Position	Telephone		1st Contact
Matt Curzon	Analyst, Budget	[39]	N/A (mob)	✓
Stephen Bond	Manager, Budget		N/A (mob)	

Minister's Office actions (if required)

Return the signed report to Treasury.

Note any feedback on the quality of the report

Enclosure: Yes (attached)
Annex 1: Initiatives with irregular fiscal impacts
Annex 2: List of backup savings options
Annex 3: Draft talking points for Budget 2026
Annex 4: Baseline Reduction Programme submissions

Executive summary

- **On 19 December, agencies submitted 242 distinct spending and savings initiatives for Budget 2026.** This report provides an overview of the quantum of new spending, cost pressures, and savings submitted by agencies.

- **Based on agency submissions, agencies have submitted preferred initiatives around $0.7 billion operating average per annum above available funding**. However, there are credible options around the scaling of spending initiatives and further savings that can be made to bring the Budget 2026 package within the operating allowance.

- **Submitted initiatives exceed the capital allowance by $15 billion total**, with the majority of capital funding being sought for the 2027 Government Policy Statement on Land Transport initiative. We expect to provide you multiple package funding scenarios in our first advice, and the fiscal implications of those scenarios.

- **The quantum of operating and capital funding submitted for Budget 2026 is lower than the funding sought at Budget 2025.** Submissions appear broadly in line with the agreed Budget strategy to minimise new calls for funding while still achieving sufficient savings. Budget 2026 spending initiatives are heavily focussed on core cost pressures and outstanding coalition commitments. Any additional 'centrepiece' initiatives will put further pressure on allowances.

- There are four key issues or risks to be aware of, and where you may want to take early action:
  - **Health**: the Minister of Health submitted options well above the set envelope, including more than $200m p.a. for Pharmac. We recommend you write to the Minister of Health to seek a clearer prioritisation of initiatives.
  - **Transport**: the indicative transport GPS bid submitted is [33] . The scale, and the operating/capital split, is subject to outstanding decisions including on prioritised projects and revenue arrangements. We are looking to ensure those decisions can be made for your Transport bilateral, but you may want to consider earlier engagement with the Minister given its scale and complexity.
  - **Law & order envelope:** our judgement is that the trade-offs associated with delivering within the law & order envelope are the most significant of the envelope agencies. We will advise you on these trade-offs in the first package advice.
  - **Reprioritisation:** options to offset new spending were limited outside of the envelope agencies, and you may wish to reinforce your expectations, via a letter and/or an oral item at Cabinet, that Ministers submit credible reprioritisation options.

- **We recommend a similar approach to the first Budget Ministers meeting as last year.** This would mean giving Budget Ministers a high level overview of the emerging package and trade-offs, but focussing discussion on key strategic issues. This would include envelope submissions, significant savings initiatives and additional options, and the approach to the capital package.

Treasury Report: Overview of Budget 2026 Submissions

Purpose of Report

1. On 19 December, agencies submitted 242 distinct spending and savings initiatives for Budget 2026. This report provides an overview of the submissions. It also provides you with initial areas of engagement, including potential additional savings options, engagement with Ministers on further reprioritisation options and Health submissions; and seeks feedback on our proposed approach to the first Budget Ministers meeting.

2. The figures within this report are based on the agency preferred funding amounts, which generally represent the upper bound of spending and lower bound of savings for submitted initiatives and are subject to minor corrections. The figures submitted by agencies exceed available funding, albeit to a significantly lesser degree than at Budget 2025. As you know, this is normal for this stage of the Budget process.

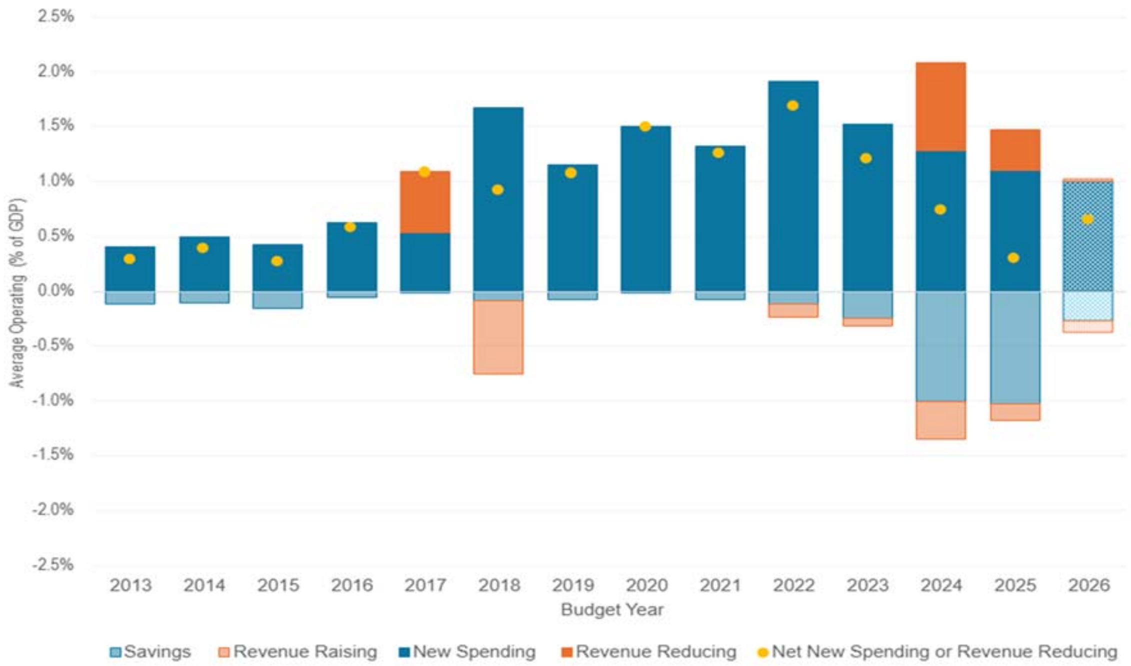
Table 1: Comparison of Budget 2025 and Budget 2026 agency submissions ($ billions)

Budget	New Spending (average operating per annum)	Savings & Revenue (average operating per annum)	Gap between submissions and Budget allowance	Total capital
Budget 2025	*6.5*	*2.6*	*3.1*	*24.5*
Budget 2026	*3.4*	*1.7*	*0.7*	*18.5*

Overall position

3. Overall, submissions are in line with your Budget strategy to restrain new spending and deliver sufficient savings to manage within a $2.4 billion allowance. Figure 1 below shows that – even absent Treasury assessment which is likely to reduce new funding – the scale of new initiatives at this Budget is lower than in the previous two budgets.

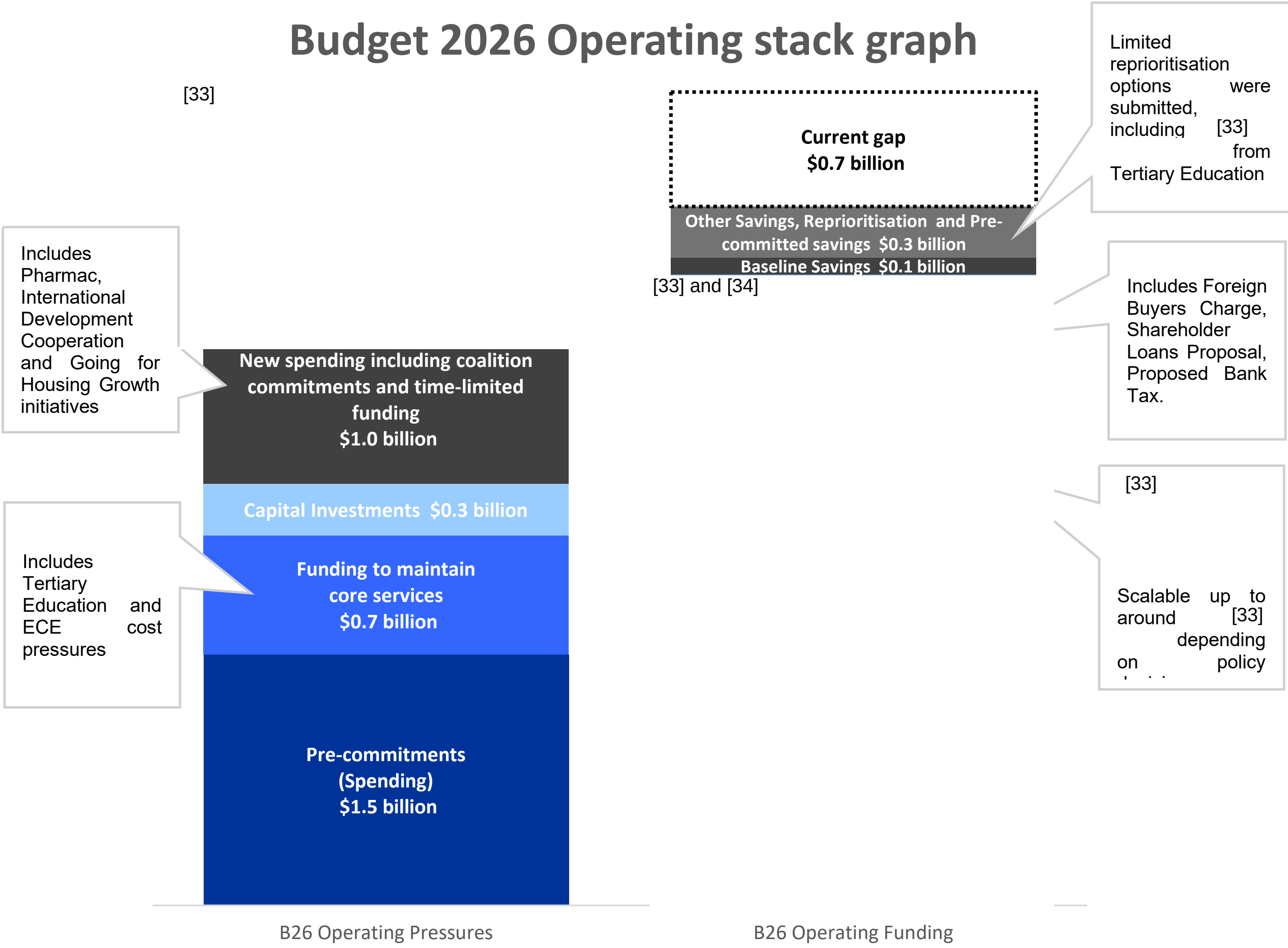
Figure 1 - Budget initiatives (excluding the COVID Response and Recovery Fund) as a share of GDP from 2013-2025 and Budget 2026 submissions[1]



[1] Data for more recent years is more reliable, and should be taken as indicative only before 2018.

4. The below graph outlines the current status of Budget 2026 based on agency submissions. The current gap between spending and savings/reprioritisation initiatives submitted is $0.7 billion average operating per annum.

Figure 2: Operating Stack Graph ($b)



Spending – Key Issues

5. Submitted new spending and cost pressure initiatives total $3.4 billion operating average per annum, and $18. billion total capital.

6. Outside of the envelopes you set, major invited spending initiatives including Going for Housing Growth, Resource Management Reform, and the domestic NZ Screen Production Rebate. Outside of envelope agencies, we have not identified any submitted spending initiatives that were not invited to Budget 2026.

Envelopes

7. The envelope agencies have submitted spending options seeking $1.3 billion operating average per annum, against total invitations of [37] (see Table 3 below).

Table 3: Envelope Summary ($m operating average per annum)

Envelope	*B25 Funding Provided*	*B26 Invitation*	*B26 Submission*	*Notes on 2026 Submission*	*Approach to Assessment and package*
Defence and Security	350	250	**Option 1:** 250 [2] [1] and [33] **Capital:** 763.5 total	**Option 1:** Prioritises Year 2 of the DCP and some cost pressures, but [33] . [1] and [33]	We intend to recommend a package within the envelope and treat the remainder as uninvited with a 'light-touch' assessment.
Education	[38]	[37]	**Operating:** [33] [33]	Relies on [38] You have previously indicated openness toward these reprioritisation initiatives.	We are working with the Ministry of Education to understand the likelihood of these savings eventuating. Our advice will include options that reflect both [38]
Health	477	[37]	**Option 1:** 173.8 **Option 2:** 330.6 **Option 2, plus Pharmac initiative:** 532.5 **Capital:** 961.1	**Option 1:** Prioritises coalition commitments, maintaining critical service deliver and government priorities. **Option 2:** Includes Option 1 priorities and additional funding for further Ministerial priorities.	We intend to recommend a package within the envelope and treat the remainder as uninvited with a 'light-touch' assessment. Capital total includes 655.6 from investments and 305.5 from operating initiatives, totalling 961.1.
Law and Order	335	200	**Option 1:** 193.7 (9.8 total capital) **Option 2:** 282 (36 total capital)	**Option 1:** Requires partial funding of non-discretionary cost pressures and deprioritising high-profile initiatives. **Option 2:** Provides funding for cost pressures and high-profile initiatives.	We intend to recommend a package within the envelope package that reflects policy priorities and value for money and will provide advice on the associated risks. Three significant capital initiatives totalling 617.4 million were provided by agencies for visibility. While not prioritised by Ministers in either envelope we have undertaken a light touch assessment.[3]

[2] One initiative has an irregular outyears profile which will impact the operating balance by an approximately $30 million average operating per annum.

[3] Capital invites for the Rotorua and Waitākere courthouses (Justice), [33], [37] and Police Property were not prioritised by the Justice sector Ministers in either envelope scenario.

8. Overall, there appears to be sufficient flexibility within the Defence and Security and Education submissions to fit these within the invited envelopes through the assessment and package development process, and no immediate action is required at this stage.

[33], [37]

10. Health envelope submissions greatly exceed your invitation and despite requests we have been unable to secure a prioritised list of initiatives that fit within the envelope from Ministry of Health officials. We recommend you write to the Minister of Health and request a prioritised list that fits within the envelope you invited.

11. Outside of the envelope, the Minister of Health has submitted an initiative that seeks funding to uplift the medicines budget, totalling $202 million operating average per annum. We understand that the Minister also intends to submit an additional initiative in March for a cost pressure uplift of Health NZ.

12. We will provide advice on Health NZ's internal budget by early February and will append to this a letter outlining your expectations and their implications for the Health NZ 2026/27 Budget. If you agree with our recommendation, this letter will also include the request for a prioritised list that fits within the envelope you invited.

Capital

13. Overall, capital initiatives totalling $18.5 billion have been submitted. The current capital allowance for Budget 2026 is $3.5 billion, and therefore the total submitted initiatives exceeds the capital allowance by $15 billion (noting that you have signalled a willingness to consider a higher capital allowance for high quality investment).

14. We will assess the submitted initiatives based on our confidence of their investment readiness and their relative priority when compared to other capital initiatives, and provide you with our advice as part of the wider Budget 2026 package advice. We expect to provide you multiple package scenarios in our first advice, and the fiscal implications of those scenarios.

Transport

15. The majority of capital funding sought through submitted initiatives relates to Vote Transport. The Minister of Transport's preferred option for the 2027 Government Policy Statement (GPS) on Land Transport initiative [33] , which remains indicative as key components including expenditure forecasts are still being finalised.

16. The split between capital and operating funding required is highly uncertain, and there is a significant risk that there will be a large operating component not currently reflected in the figures. The total funding required, and the operating/capital split depends on specific project and revenue decisions; and any changes to NZTA's current forecasts.

17. Further information is expected in February 2026, with the [33] We are aiming to confirm the broad parameters of

funding for the GPS at your bilateral meeting with the Minister of Transport on March 16th, to ensure that the final GPS can be considered as part of Budget decision making. However, you may wish to engage with the Minister earlier to discuss priorities and funding decisions for the GPS, given the scale of the submission and the challenges it may present to constructing your Budget package.

Irregular Fiscal Impacts

18. There are four initiatives which have significant and material spending profiles beyond the current forecast period. We have annexed a table (Annex One) to this report detailing both the impact on Budget allowances from the initiatives average operating per annum across the forecast period and from applying the recommended 10-year rule in these circumstances.

19. We also expect additional savings and spending options to have an irregular funding profile if alternative options are agreed, [33] welfare reform and social housing, the placeholder [33], [37] and Pharmac initiatives. We will provide more clarity on the impact of these initiatives on Budget allowances through our subsequent package advice.

Savings

20. Agencies have submitted savings, revenue, and reprioritisation initiatives totalling $1.7 billion operating average per annum, including the baseline reduction programme and envelope agency submissions. This is roughly in line with the level of savings submissions expected and would be sufficient to balance the spending pressures we anticipated in November 2025 [T2025/2753 refers].

Targeted policy savings

[33]

22. As signalled last year, we have also attached at **Annex Two** a list of backup savings to this report to seek your indication on if you wish to invite any of these options into the budget process. We have had an initial conversation with your office on these options. Many of these cover savings options that you may have previously discounted. These options are intended to give you optionality in putting together your preferred budget package, and do not represent Treasury advice to support savings from these areas.

Limited reprioritisation options were submitted

23. Outside of envelopes, significant reprioritisation initiatives submitted to offset new spending were limited, with most agencies providing scaled options instead. This does not align with the requirement that outside of envelopes, all submitted operating initiatives must be matched by an equivalent separate savings initiative, unless otherwise specified in the invitation conditions. Only a few significant reprioritisation initiatives were submitted for the following Votes:

[33]

[4] *Alternative savings options in Vote Tertiary Education that could be considered through Budget 2026 were included in T2025/3050*

b In Transport, a proposal to offset further Rail Network Investment Programme (RNIP) funding through underspends in the existing RNIP tagged contingency.

24. No separate reprioritisation options were submitted for other significant non-envelope new spending and cost pressure initiatives, aside from scaled options. This was consistent across several major spending initiatives including Going for Housing Growth, Housing Flexible Fund, Early Childhood Education cost adjustment, the NZ Screen Production Rebate, and Foreign Affairs.

25. We recommend you write to relevant Ministers to request credible reprioritisation options. If you wish to do so, we will provide draft letters for your review next week. We have also attached some draft talking points (Annex Three), should you wish to take an oral item to Cabinet to provide an update on the status of Budget 2026 and reinforce expectations, such as around reprioritisation.

Baseline savings: most agencies met their targets

26. Of the 22 agencies invited to submit baseline reduction savings, most met their target. The figures presented above currently account for savings from agencies' submissions, relevant to their 2% baseline reduction target only (refer to Annex Four).

27. Agencies have submitted a variety of options to meet their targets, including FTE reductions, broader efficiencies, and reducing other discretionary spending. Several initiatives note they will work out full details of where savings will come from over the next few months. We will provide further advice on where we recommend changes to the makeup of baseline savings initiatives to ensure savings come from areas that meet your expectations issued in invitations.

28. The table below outlines where agencies did not meet their targets, as well as some other minor matters to draw to your attention:

Agency	Summary	Next steps
NZ Customs Service	Submitted $1.6m p.a. of options, but Hon Costello has requested to reprioritise this for internal cost pressures instead.	We intend to include the submitted savings in our upcoming first package.
Ministry of Transport	Meets baseline reduction target over forecast period, but falls short by $1.5m in outyears.	We will ask the Ministry of Transport for further savings options. You could address this in your bilateral meeting.
MBIE	Around $0.2m p.a. short of its target as Hon McClay directed that no savings options be submitted for Invest NZ.	We will scale up MBIE's submission to meet its target and work with MBIE to understand how this gap will be met.
Tertiary Education	Around $0.3m p.a. short of its target as Hon Stanford has not submitted savings from Education NZ. She has offered to reduce spending on the Education envelope to a commensurate level.	We intend to request the Ministry of Education submit an explicit savings initiative.
Ministry of Disabled People	Submitted $0.4m p.a. of savings options but have requested to reprioritise these savings internally instead.	We intend to include the submitted savings options in our upcoming first package.

Ministry for Pacific Peoples	Submitted $0.8m p.a. of savings options to meet their target. However, $5.3m p.a. of funding (over 10% of MPP's baseline) is being transferred to MSD and we intend to adjust its eligible base and target downwards accordingly.	We intend to reduce MPP's baseline savings initiative by $0.1m p.a. *Note since MSD is excluded from this step of the baseline reduction, this reduces overall savings.*

Risks

29. We have completed a high-level review of Specific Fiscal Risks (SFRs) published at the Half-Year Economic and Fiscal Update (HYEFU) with a potential fiscal impact on Budget 2026 operating allowance, to ensure that relevant risks have an associated Budget initiative submission to address them.

30. There is a significant risk that the confirmed operating expenditure of two placeholder initiatives will place further pressure on the limited operating allowance available at Budget 2026. The two placeholder initiatives are:

    - Pharmac – Funding Pharmaceuticals to achieve tangible savings to the health system or avoid future cost pressures; and
    - Government Policy Statement on Land Transport 2027 (as discussed above).

31. It is unclear whether there are potential fiscal impacts from the upper North Island severe weather events occurring in January 2026. We expect to engage with NEMA and will provide you with advice when more information is available.

Approach to advice for Budget Ministers

32. The Treasury is currently assessing initiatives and on Friday 13 February we will provide you with initial package advice for discussion at Fiscal Matters on Monday 16 February. To reflect the full suite of options available to you, we will present the operating package in two parts:

    - A core package of recommended spending initiatives, and the recommended savings required to balance that level of spending within the $2.4 billion operating allowance; and
    - The options available to change the size or composition of the spending package and the savings choices Ministers could take to balance out those decisions.

33. In Budget 2025, the approach to early Budget Ministers meetings was to start reasonably high level to show the "gap" between spending and savings and focus on the largest decisions first.

34. We suggest you continue this approach for Budget 2026. Based on the submissions, we recommend discussing the following (and any other topics you would wish to discuss):

    - Envelopes – potential trade-offs required to scale to invited envelopes;

- Savings – preferred packages for revenue and welfare, and further savings opportunities including the [33] Stamp Duty/Foreign Buyers Charge; and
- Capital – approach to capital package (including scale and composition);

35. The Budget package will continue to be iterated and be further interrogated through planned bilateral meetings with relevant Ministers.

Recommended actions

We recommend that you:

(a) **agree** to write to the Minister of Health to request a prioritised list of initiatives within the Health operating envelope;

Yes / No

(b) **indicate** whether you wish to arrange additional engagement with the Minister of Transport on policy and funding decisions relating to the 2027 Government Policy Statement on Land Transport;

Yes / No

(c) **provide** feedback on the proposed approach to early Budget Ministers meetings;

(d) **indicate** whether you wish to invite any additional savings options contained in the list of backup savings annexed to this report (Annex Two);

(e) **agree** to write to relevant Ministers to request reprioritisation options for submitted spending initiatives;

Agree / Disagree

(f) **indicate** if you wish to take an oral item to Cabinet to provide an update on the status of Budget 2026 and reinforce expectations, such as around reprioritisation.

Yes / No

Stephen Bond
Manager, Budget

Hon Nicola Willis
Minister of Finance

______/______/_________

Annex One: Spending initiatives with irregular fiscal impacts

Initiative ID	Title	Budget allowance impact	
		Average operating per annum across forecast period ($m)	10-year rule ($m)
17288	Going for Housing Growth – Pilar 3: Council Incentives for Urban Development	98.4	172.9
17268	Housing Flexible Fund – further investment for social housing and other housing solutions	[33]	
17352	[38]		
17223	[37]		

Annex Two: Budget 2026 Back-Up Savings Options

#	Initiative	Description	$ savings (over forecast period)	MoF decision
1	[33]			Invite / Do not invite / Further advice
2a	[33]			Invite / Do not invite / Further advice
2b	[33]	This option would exclude overseas expenditure from the RDTI scheme. We understand you are intended to receive options for RDTI changes soon – indicating a preference now will bring this advice forward and ensure it is on a Budget timeframe.	Around $50m.	Invite / Do not invite / Further advice

#	Initiative	Description	$ savings (over forecast period)	MoF decision
2c	RDTI reforms: excluding software expenditure	This option would exclude software expenditure from the RDTI scheme. We understand you are intended to receive options for RDTI changes soon – indicating a preference now will bring this advice forward and ensure it is on a Budget timeframe.	Around $120m.	Invite / Do not invite / Further advice
2d	[33]			Invite / Do not invite / Further advice
3	[33]			Invite / Do not invite / Further advice
4	Vehicle depreciation	This option would reduce the depreciation rate for cars from 30% to 25% or 20% (declining value).	If reduced to 25%: around $80m ($30m for first 2 years, $10m p.a. thereafter). If reduced to 20%: around $160m ($55m for first 2 years, $25m p.a. thereafter).	Invite / Do not invite / Further advice
5	Increasing the rate of GST	This option would increase the rate of GST.	1 percentage point increase would raise around $8b (around $2b p.a.).	Invite / Do not invite / Further advice

#	Initiative	Description	$ savings (over forecast period)	MoF decision
	(Note that other headline tax rates could also be adjusted, but we have provided this as an example)		Fiscal savings could be offset if the Government comes under pressure to increase benefits to offset cost of living impacts.	
6	Taxing existing shareholder loans	Consultation has started on a main option for a new time limit rule that would treat certain shareholder loans as dividends if not repaid within 12 months, if total lending exceeds $50,000 p.a. As well as new loans, the scope could be extended to taxing the existing shareholder loans as well. This would generate more than double the amount of revenue that would be raised from taxing new loans only.	Around $2.4b - $4b (~$600m - $1b p.a.). Note that this figure is inclusive of the option that is currently being considered for B26, which would raise up to $1.08b (~$271m p.a.). Including existing loans is beyond the scope of the Issues Paper currently out for consultation.	Invite / Do not invite / Further advice
7	Increasing the rate of corrective taxes	This option would raise additional revenue through its larger un-hypothecated indirect taxes (e.g., alcohol excise or tobacco excise).	TBC	Invite / Do not invite / Further advice
8	Remove KiwiSaver Government contribution	This option would remove remaining Government matching of KiwiSaver contributions of up to $260.72 for people earning less than $180,000.00.	Around $2.4b to end GVC.	Invite / Do not invite / Further advice
9	[33]			Invite / Do not invite / Further advice

#	Initiative	Description	$ savings (over forecast period)	MoF decision
10	[33]			Invite / Do not invite / Further advice
11				Invite / Do not invite / Further advice
12	Remove $5 prescription co-payment subsidy for 65+ / CSC	This option would remove the prescription co-payment subsidy for 65+ year olds and Community Service Card (CSC) holders so it is a universal charge.	Around $480m (rough estimate and would likely be less as it does not account for the new 12-month prescription change, which is challenging to model the impact of given timing / uncertain behavioural impacts).	Invite / Do not invite / Further advice
13	Sugary drinks tax modelled on UK approach (Soft Drinks Industry Levy - SIDL)	This option would implement a sugary drinks tax modelled on the United Kingdom's approach, either on supply side (as per the UK, and the Ministry of Health’s preferred option) or demand side. This would result in immediate tax revenue and relatively modest medium to long-term reduction in cost growth.	Savings are speculative and would depend on design work. For illustrative purposes adjusting UK Soft drinks Industry Levy (SIDL) revenue for NZ's population size would be just over $200m of savings over the forecast period. An older 2014 NZ study suggested $160m based on a	Invite / Do not invite / Further advice

#	Initiative	Description	$ savings (over forecast period)	MoF decision
		Would require further engagement with the Ministry of Health.	20% tax on sugar-sweetened beverages but study noted revenue might be over-estimated.	
14	[33]	This option would generate revenue for the Crown by implementing a ticketing system for all school bus routes at a fixed price. [33] and no detailed policy design work has been carried out. Estimated revenue generated is [33] There are implications for the cost of living for almost all New Zealand families that use Ministry of Education-funded public transport to access their local school, and so may present a barrier to students' attendance. This initiative offers savings by shifting more of the cost of school transport to those who currently do not or only partially meet those costs.	[33]	Invite / Do not invite / Further advice

Annex Three: Draft Cabinet Talking Points for Budget 2026

- Today, I am providing an overview of Budget 2026 submissions provided by Ministers and your agencies on 19 December.
- Based on these submissions, the Budget 2025 operating and capital allowances are currently **oversubscribed by** [37] **average operating per annum and $15 billion total capital**, respectively. It is not unusual to be oversubscribed at this early point in the Budget process. But it confirms that we still have a big task ahead of us.
- This is our last Budget of the term. Therefore my focus is going to be on:
    - Delivering our outstanding coalition commitments and a sustainable pipeline of infrastructure investment;
    - Demonstrating our commitment to getting the books back in order by living within the tight operating allowances that we set; and
    - Ensuring we are reprioritising funding to core services in priority areas such as Education and Law & Order.
- That means that we won't be able to afford everything that Ministers have submitted. I want to briefly talk about the savings and spending initiatives that we have received.

Savings

- I am grateful to Ministers for submitting savings options, including baseline reduction targets. Most agencies met their targets.
- However, limited reprioritisation initiatives were submitted to offset new spending bids.
- This is important because – given the figures I shared earlier – every dollar we don't fund via reprioritisation has to come from another Minister's portfolio, either in savings or in a commitment or priority we can't meet.
- I consider there are more reprioritisation options available than those submitted by agencies and Ministers Once I have received a draft Budget package from the Treasury, I intend to ask Ministers who did not submit options to provide them.

New Spending and Cost Pressures

- As you know, most Ministers were not invited to submit cost pressures or new spending. They have to manage within existing baselines, with their Performance Plans setting out how they will achieve this. Ministers and agencies have largely kept to this, which gives me confidence that the new systems we have put in place are working.
- Even with additional savings, we may not be able to do everything Ministers put forward.
- I plan to speak with affected Ministers about what new spending initiatives, and particularly capital initiatives, are delivery-ready and represent good value-for-money.

Reminder regarding out-of-cycle funding

- Achieving our fiscal strategy is not just about the decisions made during Budget itself. It requires a sustained effort from all of us over the year.
- I am asking you to minimise out-of-cycle funding requests, as the Between-Budget Contingency is at risk of becoming depleted. If it is depleted, further funding requests will have to be pre-committed against Budget 2026 allowances, which means that other priorities cannot be met through the Budget.

Annex Four: Baseline Reduction Programme

Agency	Target ($m operating average per annum)	Submitted ($m operating average per annum)
Inland Revenue	15.8	15.8
Ministry of Business, Innovation and Employment	13.7	13.5
Ministry for Primary Industries	13.2	13.2
Department of Conservation	9.4	9.4
Ministry of Education (Tertiary Education)	9.7	9.4
Ministry for Culture and Heritage	9.1	9.1
Department of Internal Affairs	6.8	6.8
Ministry of Māori Development – Te Puni Kōkiri	5.9	5.9
Statistics New Zealand	4.3	4.3
Ministry of Transport	4.2	[33]
Ministry for the Environment	3.8	3.8
The Treasury	2.3	2.3
Land Information New Zealand	2.1	2.1
Ministry of Housing and Urban Development	1.6	1.6
New Zealand Customs Service	[33]	
Ministry for Pacific Peoples	0.8	0.8
Ministry of Justice	0.8	0.8
Social Investment Agency	0.8	0.8
Public Service Commission	0.5	0.5
Ministry for Regulation	0.4	0.4
Ministry of Disabled People	0.4	0 (but options available)
Ministry for Women	0.2	0.2