The Treasury

Budget 2026 Information Release

September 2026

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- The Treasury website from later in 2026 at: **https://www.treasury.govt.nz/publications/budgets/budget-2026-information-release**

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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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Budget Ministers July

28 July 2025

Purpose of this meeting

The purpose of this meeting is to

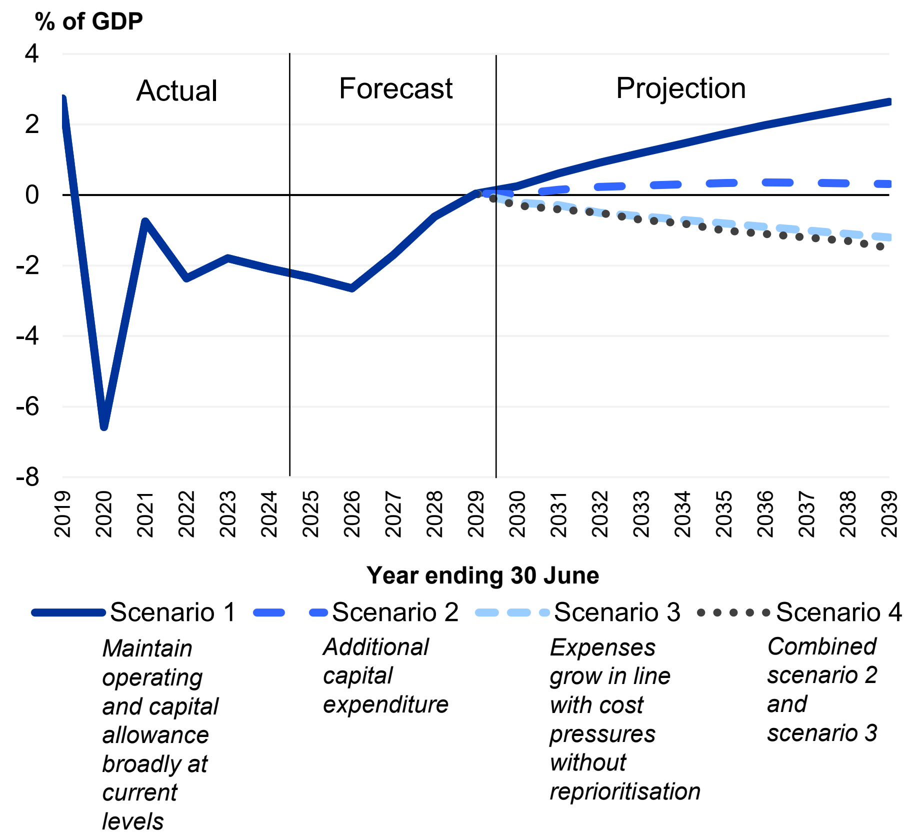
- discuss the medium/long-term work to achieve the Government's fiscal strategy; and
- what this means for our approach to Budget 2026.

Fiscal Strategy and Policy Objectives

Fiscal Strategy

- At Budget 2025, we reaffirmed our commitment to:
  - **reduce core Crown expenses towards 30 per cent of GDP** over time,
  - **return OBEGALx to surplus by 2027/28**, and
  - put **net core Crown debt on a downward trajectory towards 40 per cent of GDP**, and in the longer term keep it below that percentage.
- While OBEGALx is **forecast to improve from 2026/27 onwards,** achieving our fiscal strategy relies on us meeting our tight operating and capital allowances. This will require big policy choices if we want to continue to deliver Government priority projects and services.
- The projections I published at Budget showed that the more ambitious we want to be in future Budgets on spending, tax, or investment, the more we will need to identify reprioritisation or funding sources.

Projection of OBEGALx under different scenarios (per cent of GDP)



Key levers to meet our fiscal strategy

	Expenditure	Revenue	Balance Sheet
Overall strategy	Deliver fiscal repair, reducing core Crown expenses **below 30% of GDP.**	**We are not seeking major new sources of revenue**, but some initiatives can help fund our priorities within our fiscal strategy.	By **more actively managing the balance sheet** we can improve economic performance and fund and finance capital priorities in future Budgets.
Proposed priorities for further work	Minister Upston and I have met to discuss opportunities for **welfare reform**, [33] I have also asked Treasury officials to scope work for consideration in the medium term on: • [33] • •	Minister Watts and I have met to discuss the tax policy work programme. We discussed work on: • Ensuring our tax settings support **growth and productivity**; and • Options to **broaden tax bases or improve the integrity of the tax system** that could offset the fiscal cost of other priorities, including in tax.	Minister Bishop and I have met officials to discuss initiatives across **four "pillars"**: • capital allocation and recycling; • capital performance; • risk and liability management; and • operational excellence.

- Alongside these levers, I am also discussing how to progress reforms to the **Public Service Operating Model** with the Public Service Commission and Treasury, to drive operational improvements such as digitisation and machinery of government changes that could improve performance and productivity.

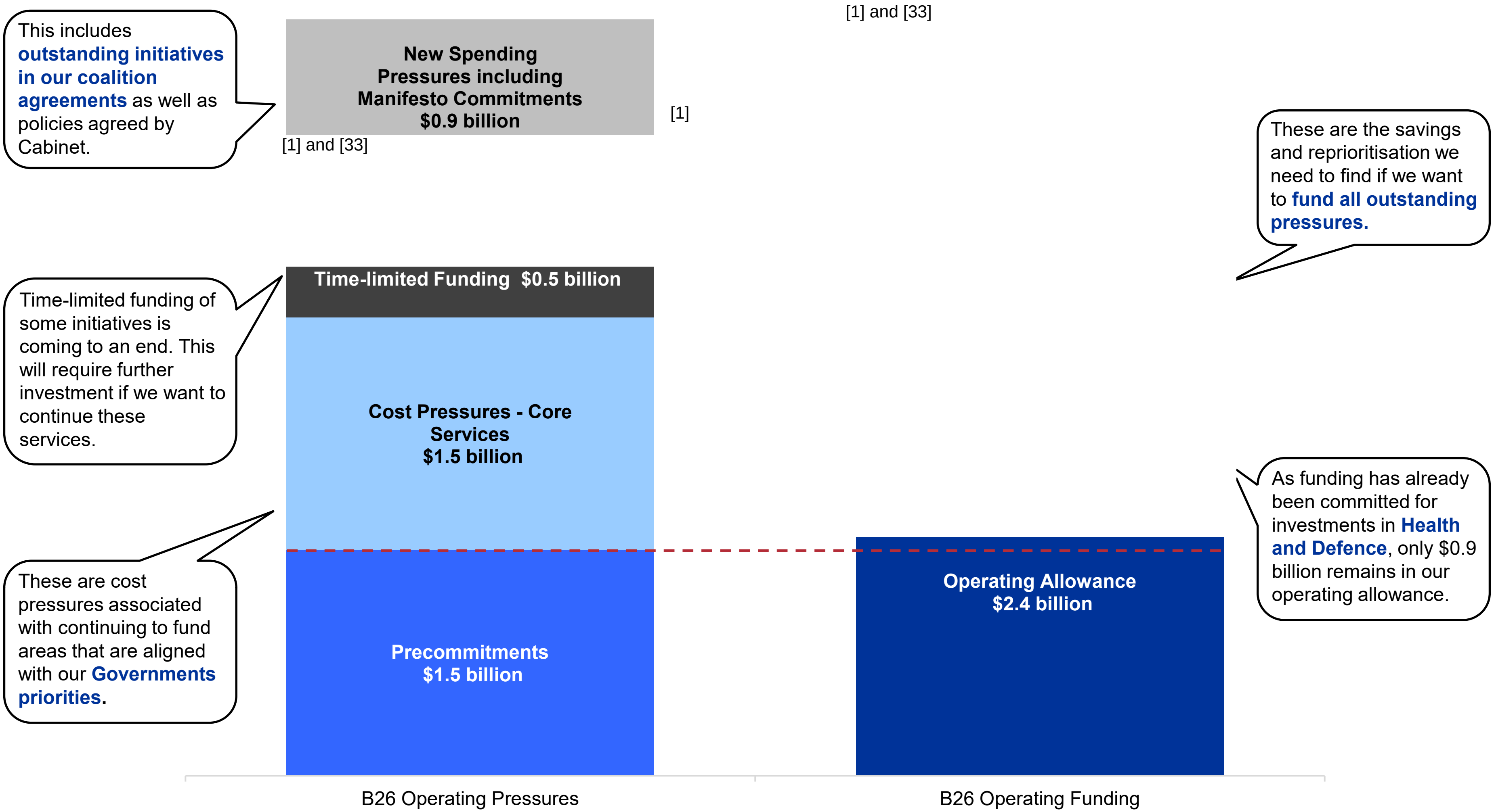
Budget 2026

Budget 2026 Context

- Through Budget 2024, we delivered **tax relief** to New Zealanders and through Budget 2025, we made investments to lift **economic growth**.
- **Budget 2026** will be our last opportunity to fund outstanding coalition commitments before the election.
- For Budget 2026, we have agreed to pre-commit some of our operating and capital allowances to **Health** and the **Defence Capability Plan**.

Budget 2026 Allowances	Amount remaining
Operating – $2.4 billion per annum	$0.9 billion per annum
Capital – $3.5 billion total	$1.8 billion total

Indicative Budget 2026 Stacks



Note that the figures included above are operating per annum and reflect the Treasury's current assessment.

There are additional Ministerial priorities and other initiatives that may require investment at Budget 26. I am aware of around $700 million of additional pressures from these priorities at this stage. Additionally, not all cost pressures have been included in the chart above, as I expect many agencies to meet these within their baselines.

Priorities for Budget 2026

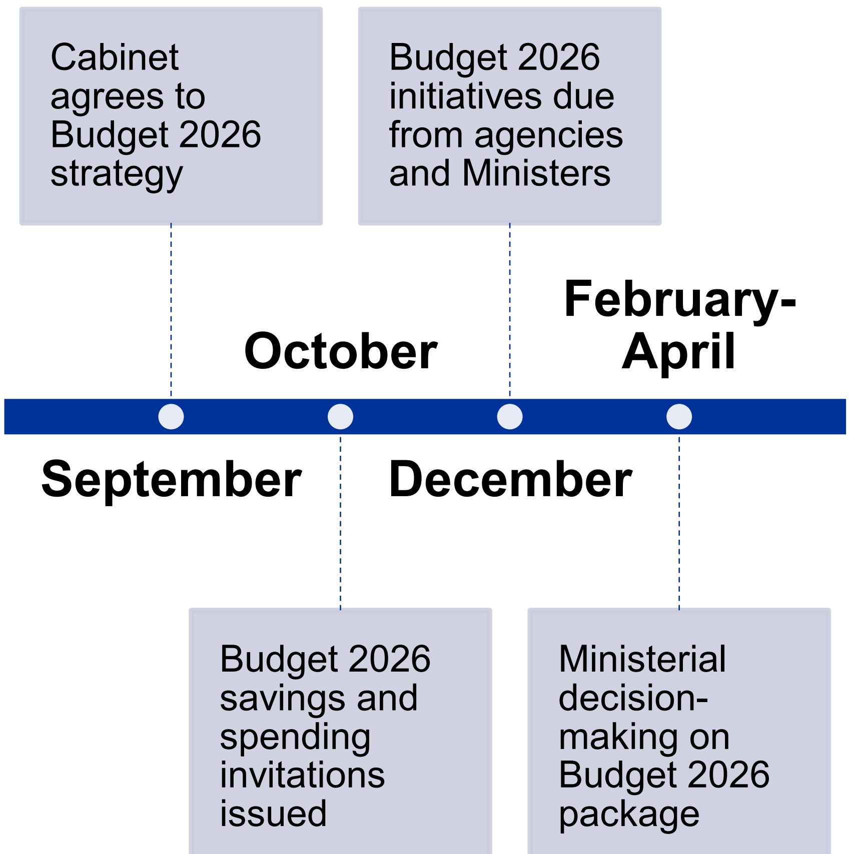
- The table below sets out likely priority areas for new funding at the Budget. **I am particularly interested in Budget Ministers' input on whether there are broader priority areas** where we should be kicking off work for now beyond our outstanding coalition commitments.

Potential priority area	Proposed approach
New Spending – Manifesto and Coalition commitments (e.g. financial incentives in **Going for Housing Growth**)	Prioritise funding outstanding coalition commitments but I will expect Ministers to first look at options for funding within baselines.
Pressures in core services [38] and time-limited funding (e.g. **Healthy School Lunches**)	I will expect Ministers to first look at options for funding within baselines, and set envelopes in priority areas where new funding may be necessary.
Defence Capability Plan	We have committed to increasing our defence spending t [1] and [33] [1] and [33]
Capital Investments [33] and [37] and **the next Transport GPS**)	Given remaining capital allowances, we need to consider both: • prioritising our capital investments and considering alternative financing and funding options, • identifying reprioritisation or balance sheet options that can support our capital plans this year.
Other spending priorities	I would welcome Budget Ministers' views on whether there are further priorities for Budget 2026, and whether we want to prioritise spending or tax initiatives not set out in the coalition agreements.

Funding our priorities

- While I expect to manage down spending requests as much as possible, we will still need to identify significant savings. I currently propose that the savings workstreams will be focused on:
  - [33]
  - **Baseline reductions –** we will need broad savings over multiple Budgets from efficiencies, changes to operating models, and reducing lower value spending. I intend to set savings targets for Ministers, informed by work from the Treasury and the Public Service Commission on opportunities for savings across Government.
  - **Reprioritisation for new initiatives** – where new funding is proposed, I intend to ask Ministers to identify options to fully or partially meet new initiatives from reprioritisation.
  - **Revenue options from the tax work programme** – tax measures not progressed at Budget 2025 include potential new taxes on banks and tax treatment of charity business income and shareholder loans.
- In addition to these savings workstreams, Minister Bishop and I have discussed balance sheet options that could support capital investment at Budget 2026.

Next Steps for Budget Ministers



- Similar to Budget 2025, I propose we **meet regularly** from now, **ahead of setting the Budget strategy** and issuing invitations for Budget 2026 submissions.
- I expect that, as part of our Budget 2026 discussions, we will consider the larger fiscal and economic challenges facing New Zealand.
- Next meeting, I intend to discuss the strategy for Budget 2026.