

The Treasury

Budget 2026 Information Release

September 2026

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Cabinet Document Details

Title: **Cabinet Minute CAB-25-MIN-0340: Budget 2026 Strategy and Process**

Date: **29 September 2025**

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[33] 9(2)(f)(iv) - to maintain the current constitutional conventions protecting the confidentiality of advice tendered by ministers and officials

[38] 9(2)(j) - to enable the Crown to negotiate without disadvantage or prejudice

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Cabinet

Minute of Decision

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Budget 2026 Strategy and Process

Portfolio **Finance**

On 29 September 2025, Cabinet:

Context for Budget 2026 and beyond

- 1 **noted** that in order to meet the Government's fiscal strategy, and deliver on coalition commitments, the Government will need to restrain new expenditure and achieve significant savings year on year;

Government priorities for Budget 2026

- 2 **agreed** that Budget 2026 will progress the Government's overarching goals set through the Budget Policy Statement 2024 in the following way:
 - 2.1 most agencies and Ministers will need to manage cost pressures and other commitments within existing baselines;
 - 2.2 there will be limited funding for new initiatives and cost pressures, with a focus on meeting outstanding coalition commitments; and
 - 2.3 sufficient savings will need to be identified to fund the above priorities within or below the net \$2.4 billion operating allowance;
- 3 **noted** that the Budget Policy Statement will be published alongside the Half-Year Economic and Fiscal Update on 16 December 2025;

Budget 2026 strategy and process

Overall approach to Budget 2026

- 4 **agreed** that Budget Ministers (the Prime Minister, the Minister of Finance and Associate Ministers of Finance) will be the primary decision-making body throughout the Budget process, and will be responsible for recommending to Cabinet a final Budget 2026 package;
- 5 **agreed** that Budget 2026 will be a strictly top-down invitation process for new spending and cost pressure initiatives to enable Budget Ministers to prioritise spending to the highest priority initiatives;

- 6 **agreed** that Budget Ministers will:
- 6.1 ask Ministers to identify credible options to fund commitments fully or partially from reprioritisation within existing baselines; and
 - 6.2 set funding envelopes for Health, Defence, Education, and Law and Order to enable these agencies and their Ministers to have greater ownership of trade-offs between relative priorities in their portfolios;
- 7 **authorised** the Minister of Finance to make decisions on Budget 2026 spending and savings invitations, including design considerations, in close consultation with Budget Ministers;

Approach to new spending and cost pressures

- 8 **agreed** that new spending invitations at Budget 2026 will be limited to:
- 8.1 outstanding coalition commitments; and
 - 8.2 significant time-limited funding ceasing in 2025/26 that still aligns with Government priorities;
- 9 **agreed** that most portfolio Ministers who are invited to submit a bid for new operating spending and/or cost pressures will be required to submit scaling and reprioritisation options;
- 10 **agreed** that any other cost pressure outside of the priority areas will only be invited into Budget 2026 if:
- 10.1 it is genuinely critical and urgent for a service or programme aligned with Government priorities;
 - 10.2 it cannot be managed with non-spending or regulatory levers; and
 - 10.3 the size of the cost pressure is so large relative to an agency's baseline such that reprioritisation would not be possible;

Approach to capital expenditure

- 11 **agreed** that the Minister of Finance will issue a broad range of capital spending invitations aligned to the Government's priorities;
- 12 **agreed** that new capital investments will be limited to investments aligned to Government priorities and/or investments that are signalled in a Cabinet or responsible Minister approved long-term plan, where available;
- 13 **agreed** that capital investment initiatives will generally not receive Budget funding without a Cabinet approved business case;

Approach to personnel costs

- 14 [38]

Approach to savings

- 15 **noted** that the main savings workstreams the Minister of Finance is considering for Budget 2026 are welfare ^[33] reform, baseline reductions, and revenue measures from the tax and social policy work programme;
- 16 **authorised** Budget Ministers to agree the parameters of a baseline reduction target;
- 17 **noted** that the Minister of Finance will invite Ministers to submit additional targeted policy savings where they do not fall into scope of broader baseline reductions;

Performance Plans

- 18 **agreed** to the next iteration of Performance Plans:
 - 18.1 being submitted near the end of the 2025/26 financial year (after the delivery of Budget 2026); and
 - 18.2 being managed within Budget 2026 parameters;
- 19 **invited** responsible Ministers to request Board Chairs to provide the self-assessment (for key statutory entities) and other information needed to complete the Performance Plans in order to give greater visibility to Crown entity performance;
- 20 **agreed** that the scrutiny of the intelligence and security agencies' Performance Plans (the New Zealand Security Intelligence Service and the Government Communications Security Bureau) be referred to the Cabinet Foreign Policy and National Security Committee;
- 21 **agreed** that the Interdepartmental Executive Board for the Elimination of Family Violence and Sexual Violence be required to provide a Performance Plan as it administers a Vote;
- 22 **authorised** the Minister of Finance, following a request from the responsible Minister, to temporarily exempt a Performance Plan being prepared;
- 23 **authorised** the Minister of Finance to make any consequential changes to the information or design requirements of the Performance Plans (for example, that may arise during the Budget process).

Diana Hawker
for Secretary of the Cabinet