The Treasury

Budget 2026 Information Release

September 2026

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- The Budget website from September 2026 to May 2027 only at: **https://budget.govt.nz/information-release/2026**, and on
- The Treasury website from later in 2026 at: **https://www.treasury.govt.nz/publications/budgets/budget-2026-information-release**

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

4 November 2025

Hon Erica Stanford
Minister of Education
Parliament Buildings

Dear Erica

Budget 2026 is taking place in a tight fiscal environment and global uncertainty and therefore, it is crucial that we continue to maintain fiscal discipline to achieve a better future for New Zealand.

On 29 September, we collectively agreed at Cabinet that Budget 2026 will progress the Government's overarching goals in the following way [CAB-25-MIN-0340 refers]:

- Most agencies and Ministers will need to manage cost pressures and other commitments within existing baselines
- There will be limited funding for new initiatives and cost pressures, with a focus on meeting outstanding coalition commitments, and
- Sufficient savings will need to be identified to fund the above priorities within or below the net $2.4 billion operating allowance.

Following Cabinet, Budget Ministers have met and agreed on which initiatives to invite into Budget 2026. I am writing to you to outline the initiatives you have been invited to submit.

Envelope – Operating

You are invited to submit spending initiatives (including operating expenditure associated with capital initiatives) within an operating expenditure envelope for Budget 2026 (see Annex A). The envelope should prioritise coalition commitments and funding necessary to maintain critical service delivery. An envelope does not constitute a guarantee of funding at any particular level.

This is a net envelope (i.e. spending less reprioritisation and savings options). As the Minister of an envelope agency, you have not been set a baseline reduction target. However, Budget Ministers expect you to identify credible reprioritisation options as part of your submission. You should submit these as individual savings initiatives to give full visibility to Budget Ministers on trade-offs and options.

When developing reprioritisation options, we would like you to consider options that align with the guidance we are setting for other Ministers delivering baseline reductions in support of wider public sector reforms. This guidance can be found below. We expect that the envelopes in future years will be constrained, reflecting this programme of reform.

There may be opportunities to apply the Government's social investment approach to initiatives submitted for your envelope. Please engage with the Social Investment Agency on initiatives that could be considered in scope.

Capital

The list of capital spending initiatives you have been invited to submit are annexed to this letter.

A significant number of agencies had large capital underspends in the last financial year. When developing reprioritisation options, Budget Ministers expect you to consider reprioritising existing funding, and/or consider asset recycling options before seeking new funding.

Delivering infrastructure in a timely manner is essential for us to deliver on our economic growth and broader government priorities. Therefore, Budget Ministers intend to only recommend to Cabinet funding initiatives that can be delivered promptly.

In practice, this means that we will be considering whether – where relevant – Cabinet has agreed to a Detailed Business Case (DBC) or Single Stage Business Case (SSBC) ahead of submission or one is due to be considered by Cabinet before April 2026; and whether a project can start work within twelve months of funding. Where a Cabinet approved DBC or SSBC is not available at the time of initiative submission, we expect that a draft document will be made available.

Baseline reductions

Budget Ministers have agreed to a baseline reduction of 2 per cent at Budget 2026 for most agencies. Your agency is exempted from the baseline reduction exercise, and consequently no target has been set, aside from Vote Tertiary Education. However, we expect all agencies to be engaged in exploring and developing opportunities in support of achieving a more efficient public service.

Notwithstanding this exemption, options identified for savings and reprioritisation should be met from reductions in agencies' costs in the first instance and carefully consider any reductions to services from third-party providers that may impact frontline services.

Further baseline reductions

Beyond the 2026/27 financial year, and this initial baseline reduction, Ministers will need to continue work to achieve lower departmental costs in later years.

This will require effort to, wherever appropriate, adopt modern digital delivery approaches – including the use of AI for more efficient service delivery, combining and streamlining back-office functions across agencies to reduce costs, enhancing workforce productivity rather than increasing personnel numbers, and stopping functions that do not directly improve public service delivery.

The Public Service Commission has initiated a programme of work to support this reform across agencies.

I am considering inviting other baseline reductions in outyears as part of this process, informed by the development of performance plans. The Minister for the Public Service and I will follow up with more detail shortly.

Next steps

The Treasury will be issuing guidance and templates for agencies shortly, which will include more detailed requirements for the Budget 2026 process, including my expectations around departments' personnel expense growth.

I invite you to write to me by Friday, 19 December providing a brief summary of your spending and/or savings submissions. I ask that your agency also submits initiatives into the Treasury's system by 1pm Friday, 19 December.

The contents of this letter are Budget-Sensitive, and a reminder of Budget information security guidelines are annexed to this letter.

Thank you for your continued commitment to getting the Government's books back in order and ensuring spending represents value for money. I look forward to receiving your submissions in December.

Yours Sincerely,

Hon Nicola Willis
Minister of Finance

Cc Ellen MacGregor-Reid, Acting Secretary and Chief Executive, Ministry of Education

Annex A: Budget 2026 Invitations

Education (Stanford)

I am inviting you to submit a package of initiatives up to the envelope amount outlined below. Note the Associate Minister of Education has been invited to submit specific initiatives related to his portfolios separately.

Envelope scenario ($m operating per annum[1])	
Amount	**Agencies**
[37] and [38]	• Your envelope covers initiatives in your portfolio across the Ministry of Education and the Education Review Office. • You have discretion to include Vote Education Review Office initiatives within your envelope to the extent funding is deemed critical to the delivery of the Government's education priorities. Any Education Review Office initiative/s would need to be traded off with Vote Education initiatives within your envelope.

You have flexibility on the initiatives you wish to include within the envelope so long as they are aligned with the principles outlined above and conditions outlined below (should you choose to seek funding for these initiatives).

Spending		
Agency	**Title**	**Conditions**
Ministry of Education	Changes to KiwiSaver - Cost Pressures	This initiative should only cover the impacts of the changes from 1 April 2026. I expect that non-discretionary frontline staffing cost pressures are prioritised.
Ministry of Education	New Zealand Qualifications Authority (NZQA) - Cost Pressures	As part of Budget 2025, Cabinet directed that NZQA and the Ministry of Education report back to the Ministers of Finance and Education on progress against the approved Financial Stabilisation Plan prior to submitting any further

[1] Operating per annum is the annual average across the forecast period.

Spending		
Agency	**Title**	**Conditions**
		Budget funding requests (CAB-25-MIN-0126.23, Initiative 16596 refers). In addition to fulfilling the above report back requirement ahead of submission, please ensure that the submission for this NZQA cost pressure initiative includes: • Ongoing baseline funding options as well as time-limited options; and • A clear outline of what the implications are if ongoing funding is not provided and a plan for how service delivery risks would be appropriately mitigated.
Ministry of Education	Schools' Operational Grant Cost Adjustment	If a schools' operational grant cost adjustment initiative is submitted, please ensure this initiative does not seek a cost adjustment higher than forecast CPI (as at BEFU 2025). It should include any corresponding impact on charter schools' operational funding.

You have flexibility to determine which capital investments to submit as part of your Budget 2026 Education package provided the following conditions are met:

1. All operating costs of capital investments are managed within the Education operating envelope; and
2. For school property initiatives, clear evidence is provided on how the Ministry of Education has first explored all asset recycling (including excess land) and renewal/maintenance options in the first instance and how efficiencies are being used to reduce asks for additional funding; and
3. Proposed property investments are aligned with the Ministry of Education's Long Term Investment Plan, or if not relevant, are otherwise investment ready.

Capital Investments		
A condition attached to all relevant capital investments is that Cabinet has agreed to a Detailed Business Case (DBC) or Single Stage Business Case (SSBC) ahead of submission or one is due to be considered by Cabinet before April 2026. Where a Cabinet approved DBC or SSBC is not available at the time of initiative submission, I expect that a draft document will be made available at that time instead.		
Agency	**Title**	**Conditions**
Ministry of Education	Replacement of the Education Payroll System - Digital Investment	My expectation is that this initiative is included in your Budget 2026 submission. If you choose not to do so, please ensure you provide an analysis of the financial and other implications, and a clear risk mitigation plan outlining how deferring this investment will be appropriately managed to avoid critical service failure.
Ministry of Education	New Zealand Qualifications Authority (NZQA) Strategic Technology Enhancement Programme (STEP) - Digital Investment	My expectation is that this initiative is included in your Budget 2026 submission. If you choose not to do so, please ensure you provide an analysis of the financial and other implications, and a clear risk mitigation plan outlining how deferring this investment will be appropriately managed to avoid critical service failure. You may wish to consult with the Minister of Vocational Education about this initiative, noting the Minister of Vocational Education has not been invited to submit a STEP initiative and so any funding for this investment would come from your envelope.

Please note that you have been invited to submit initiatives related to the financial implications of Stafford v Attorney-General to be funded outside of your envelope.

Initiatives outside the envelope		
Agency	**Title**	**Conditions**
Ministry of Education	Costs arising from Stafford vs Attorney General	Not applicable.

Annex B: Information security guidelines

Agencies providing advice to the Government in the interests of the New Zealand economy have the responsibility to ensure that information passing through their hands is actively managed in line with the sensitivity of the content, and complies with both the Protective Security Requirements (PSR) and the New Zealand Information Security Manual (NZISM). Improper exposure of Budget information impacts on the Government of the day, the political process, and departments.

It is the responsibility of agencies to ensure that they have designed sufficient processes to manage the handling of BUDGET-SENSITIVE information.

Correctly classifying Budget information

Most Budget information should be IN-CONFIDENCE or BUDGET-SENSITIVE. It is important to avoid overclassifying information as classifications can become devalued or ignored if everything is overclassified.

For instance, some information relating to Budget may be more appropriately classified as IN-CONFIDENCE rather than BUDGET-SENSITIVE, such as information on individual initiatives that do not make reference to the overall Budget package, strategy and priorities, and is not otherwise sensitive.

A high-level overview of the difference between the IN-CONFIDENCE and BUDGET- SENSITIVE classifications is provided in the table below.

IN-CONFIDENCE	BUDGET-SENSITIVE
IN-CONFIDENCE classification should be used when the compromise of information is likely to: • prejudice the maintenance of law and order; • impede the effective conduct of government; and • adversely affect the privacy of New Zealand citizens.	The SENSITIVE security classification should be used when the compromise of information is likely to damage New Zealand's interests or endanger the safety of its citizens. For instance, where compromise could: • endanger the safety of any person; • seriously damage the economy of New Zealand by prematurely disclosing decisions to change or continue government economic or financial policies; and • impede government negotiations (including commercial and industrial negotiations).

More information can be found in the following resources:

- Security classifications for policy and privacy information | Protective Security Requirements
- PSR Guidelines for the Protection of Official Information: PSR Classification Quick Guides