

The Treasury

Budget 2026 Information Release

September 2026

This document has been proactively released and is available on:

- 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).

Copyright and Licensing

Cabinet material and advice to Ministers from the Treasury and other public service departments are © **Crown copyright** but are licensed for re-use under **Creative Commons Attribution 4.0 International (CC BY 4.0)** [<https://creativecommons.org/licenses/by/4.0/>].

For material created by other parties, copyright is held by them and they must be consulted on the licensing terms that they apply to their material.

Accessibility

The Treasury can provide an alternate HTML version of this material if requested. Please cite this document's title or PDF file name when you email a request to information@treasury.govt.nz.



4 November 2025

Hon Penny Simmonds
Minister of Vocational Education
Parliament Buildings

Dear Penny

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.

Spending

The list of operating spending initiatives you have been invited to submit are annexed to this letter. These initiatives will be considered as part of the wider Budget 2026 process, and as such an invitation is not a guarantee of funding.

When submitting a spending initiative, unless otherwise agreed or directed, you should provide reprioritisation options that Budget Ministers can consider to fully or partially self-fund an initiative. You should submit these as individual savings initiatives to give full visibility to Budget Ministers on trade-offs and options.

Costs associated with the increase in KiwiSaver employer contributions should be managed within agencies' baselines.

Baseline reductions

Budget Ministers have agreed to a baseline reduction of 2 per cent at Budget 2026 for most agencies. Annex B includes your savings target, outlines how targets have been calculated, and sets out guidance for how these targets should be met. We appreciate your ongoing work to identify credible options to deliver these savings.

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 Hon Dr Shane Reti, Minister for Universities
Ellen MacGregor-Reid, Acting Secretary and Chief Executive, Ministry of Education

Annex A: Budget 2026 Invitations

Ministry of Education (Tertiary)

I am inviting you to submit initiatives as outlined below for Budget 2026. Please work with the Minister for Universities on your submissions for Vote Tertiary Education.

Spending	
Title	Conditions
Funding forecast volume for Tertiary Education and Training	This initiative should be informed by the review of enrolment funding and the use of the TEC balance sheet mechanism, which was sought as part of Budget 2025 [CAB-25-MIN-0126]. Please ensure the findings of the review are shared with my office ahead of Budget 2026 initiative submissions in December. The submission should include a range of options for consideration, including options to manage this cost pressures within baselines.
Tertiary Education and Training subsidy and fee increases	Please ensure that this initiative sets out multiple options for service delivery and the mix of public and private funding, including increases to the annual maximum fee movement as well as to Crown subsidies.
Industry Skills Boards	Please submit options at different funding levels outlining what outcomes can be achieved for respective funding levels, if this a priority for the Minister for Vocational Education.
Support for apprenticeships	Please submit a fiscally neutral initiative within the funding already appropriated for Apprenticeship Boost, if this a priority for the Minister for Vocational Education.

Annex B – Budget 2026 savings parameters and invited initiatives – Ministry of Education (Vote Tertiary Education)

Baseline Reduction

As part of the Budget 2026 strategy and process, Cabinet authorised Budget Ministers to agree the parameters of a baseline reduction target [CAB-25-MIN-0340]. Budget Ministers have agreed to implement a baseline reduction of 2 per cent at Budget 2026.

Your 2 per cent savings target is \$9.7 million per annum.

Options to achieve your savings target should:

- a. be presented as an individual savings initiative upon submission,
- b. include details on what the scaled or closed activities and programmes will be, and
- c. what appropriation changes are required to implement the savings.

It is expected that this target will be implemented from the 2026/27 financial year onwards with a flat profile.

Baseline reduction targets are based on the average baseline spend across the forecast period (2026/27 to 2029/30), as presented at Budget 2025, with certain expenditure areas excluded. This forms the agency/Vote's eligible base. The methodology for exclusions is detailed below.

Methodology for baseline reduction targets

The following methodology has been used to calculate agency's eligible bases, from which baseline reduction targets are derived:

- a. All departmental and non-departmental operating expenditure is in scope.
- b. The following non-discretionary or unsuitable expenditure areas are excluded from scope across all agencies:
 - Benefits or Related Expenses
 - Finance Costs
 - Permanent Legislative Authorities
 - Capital
 - Departmental third-party revenue/levy-funded, departmental revenue from other departments/State Owned Enterprises/Crown Entities, and other cost-recovered expenses (where these are known)
 - Most "Other Expenses" appropriations (except for where these have been identified as discretionary)
 - By exception, other case-by-case amounts of spending deemed unsuitable for including in an eligible base

- c. Departmental depreciation has not been excluded up-front, and your agency will need to work with the Treasury to exclude the appropriate amount.

Savings can be found from across the Vote.

Areas to consider for identifying savings options

The Government is committed to delivering a leaner, efficient public service by modernising operating models, digitising services, and focusing resources where they deliver the greatest value.

In line with these goals, it is Budget Ministers' strong expectation that targets should be, in the first instance, met from reductions in agencies' operating costs, for example, through:

- a. Structural changes through consolidating Crown entities or back-office functions,
- b. Scaling or closing lower-value programmes or those not aligned with Government priorities,
- c. Departmental efficiencies (such as through realising benefits from digitisation or automation, reducing contractor and consultant spending), and
- d. Invest-to-save initiatives (where these are realistic, can be booked, and result in overall savings over the forecast period and that are ongoing).

You can also put forward savings from third-party providers, but I expect you to carefully consider any reductions that may impact frontline services.

Annex C: 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](#)