

The Treasury

Budget 2026 Information Release

September 2026

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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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9 February 2026

Hon Simeon Brown
Minister of Health
Parliament Buildings

Dear Simeon

Thank you for your active work in recent months to improve the value and transparency of Health spending, and for your letter of 19 December 2025 outlining your aspirations for Vote Health at Budget 2026.

Today I am writing to confirm to you my expectations regarding:

- the Health NZ 2026/27 budget and interactions with Budget 2026; and
- work to improve health system productivity.

Budget 2026

My top priority for Health NZ is to ensure that it can meet all its delivery goals from within its baseline funding in a sustainable ongoing way.

For 2026/27, I take Health NZ's delivery goals to include the services it must deliver to New Zealanders (as specified in its Service Coverage Expectations according to its Operational Policy Expectations); the Health Target milestones; and the priorities you identified to Cabinet in November 2025 including the Winter Preparation Package.

Health NZ's draft 2026/27 budget suggests that it will be very challenging for the agency to meet these delivery goals next year while also paying down its remaining operating deficit to achieve a breakeven result. You have signalled an intention to seek additional cost pressure funding through Budget 2026.

In the current fiscal climate, my view is that the first call on the Health operating envelope at Budget 2026 must be meeting the costs to Health NZ of delivering its required services while it works toward a breakeven operating position. While expansion of services is of course desirable, existing commitments need to be funded first. I would therefore like you to consider how much of the Health operating envelope (which provides^[37] in operating funding over the forecast period) may be needed for this.

We can discuss this further at our bilateral on 10 March 2026. To help inform our discussion, I would like to receive information from Health NZ by **27 February 2026** about high-level tradeoffs and choices (in terms of potential changes to services and delivery, and options

around the proposed Primary & Community and Mental Health Ringfence uplifts) that would be associated with its return to a breakeven operating position:

- in 2026/27 as currently intended; and
- a year later, in 2027/28.

I would like Health NZ to include best-endeavours calculations of the required productivity increase, in terms of caseweights per total and per clinical FTE, for Health NZ to deliver proposed volumes within budget.

I am pragmatic about the level of detail and certainty that Health NZ is likely to be able to provide to us at this point. However, I consider it critical that we as Ministers are presented with real options on a timeline that gives us room to consider interactions with Budget 2026. It will also help Health NZ to understand what kinds of changes to contracts and service Ministers are willing to consider if needed to balance the books.

Work to improve health system productivity

As you know, I have agreed that Health NZ can if necessary return an operating deficit for 2025/26 that is larger than previously forecast.¹ As my information request above indicates, I may also be willing to see it operate at a deficit in 2026/27, returning to breakeven in 2027/28. However, this would be conditional on me having confidence that Health NZ will use any additional time and fiscal space to make operational changes and investments that will meaningfully improve its efficiency and productivity. I am not comfortable with ongoing deficits where they represent unaffordable cost structures that are not being actively addressed.

Investments in data and digital capability and tools are top of mind for me here. My understanding is that the right investments could enable relatively quick efficiencies in existing processes (such as better rostering), as well as longer-term productivity gains via changes to healthcare delivery models, including more delivery in homes and communities. Some changes to delivery models may involve policy choices for Ministers.

I understand Health officials have mooted the possibility of capital-to-operating swaps to facilitate more data & digital investment. I am open to supporting this where it makes sense.

To inform my potential reconsideration of Health NZ's deficit track, I would like our next Health Joint Ministers meeting on **18 February 2026** to include updates from:

- Health NZ on the operational activity it currently has underway to improve efficiency and productivity in the health system, including key milestones and timeframes for significant impact; and

¹ As we have discussed, I am comfortable with Health NZ revising its deficit track for 2025/26 upward by \$80m if necessary to meet unexpected depreciation expenses resulting from revaluations of the hospital estate. I am comfortable with Health NZ revising upward its deficit track for 2025/26 by up to a further^[38]

Having said this, Health NZ should make all possible efforts to meet these costs within baselines in 2025/26. This includes reprioritising any underspends to these costs; I will not expect to see In-Principle Expense Transfer requests for Health NZ from 2025/26 to 2026/27 unless it is on track to meet its budgeted deficit.

- the Ministry of Health on its policy work programme toward this goal, and more broadly toward “bending the cost curve” in Health.

I look forward to receiving this information and to our discussion at Health Joint Ministers. Thank you again for our constructive engagements on Health matters.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Nicola Willis', with a stylized, cursive script.

Hon Nicola Willis
Minister of Finance