# The Treasury

## Budget 2026 Information Release

## September 2026

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### 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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Te Kawa Mataaho
Public Service Commission

TE TAI ŌHANGA
THE TREASURY

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| **AIDE MEMOIRE Title:** | **Public Service Transformation** |
| **Reference Number:** | **MoSR 2026-0149** |
| **Date:** | **23 April 2026** |
| **To:** | **Hon Paul Goldsmith, Minister for the Public Service and Digitising Government**<br>**Hon Nicola Willis, Minister of Finance** |
| **Contact:** | **Josh Masson, Chief Data Officer, Public Service Commission,** [35]<br>**Jon Cable, Principal Advisor, Public Sector Performance, The Treasury,** [39] |
| **Encl:** | No / **Priority:** High |
| **Security Level:** | |

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| **Purpose** | The Public Service Transformation Cabinet paper is being considered by Cabinet on Tuesday, 28 April. This aide memoire provides talking points to support your engagement with Cabinet colleagues. |
| **Date of meeting** | 28 April 2026 |
| **Ministers** | Minister for the Public Service and Minister of Finance |
| **Proposal** | The Public Service Transformation paper sets out a common narrative for transformation based on four components:<br>• A streamlined operating model<br>• Digitally enabled<br>• Talent focused<br>• Productive and efficient public service<br><br>Officials suggest Minister Goldsmith leads discussion on the wider transformation and Minister Willis follows focusing on the productivity benefits that can be realised through this transformation. |
| **Talking Points** | **Minister Goldsmith**:<br>• Improving the performance of public service and reducing its cost requires transformative changes to the public service.<br>• The Public Service Commissioner's 2025 State of the Public Service report articulates his findings on how to improve the performance of the public service to meet both current and future challenges. These resonate with us and we have work underway already.<br>• Much of this Cabinet paper is about drawing this work together into a transformation narrative that we can use to articulate the case for change as well as the performance and productivity benefits we expect to achieve.<br>• We're asking that Ministers agree to a streamlined operating model that will mean fewer departments over time - the creation of the Ministry for Cities, Environment, Regions and Transport (MCERT) is a good example, |

and I've asked the PSC to bring forward their best advice about potential next steps.

- Cabinet has already largely agreed to the digital transformation components - this proposal adds further improvements to the GCDO's mandate to oversee digital investments and speed up delivery, now (as of 1 April) under the leadership of the Public Service Commissioner.
- We're supporting the Commissioner to build the talent the Public Service needs to support the government well. Changes have already been implemented for senior leadership - the academy concept in this paper shows how we can improve common capability across the Public Service.
- We also need to realise productivity benefits from transformation. To do so we're looking at two mechanisms.
- We're seeking your agreement to introduce an FTE reduction target and cap across the Public Service. We propose to reduce the public service from current levels (63,700 December 2025) to 55,000 FTE by June 2029. This brings it into line as a 1% ratio with New Zealand's population, where it was until 2018.
- This is ambitious and will require the public service to reconsider service delivery models, and pursue greater uptake of technology. It will mean a more assertive and targeted approach to AI. And it will mean a change in risk appetite from both Chief Executives and Ministers. However we need to break the cycle of FTE growth the system has gotten into.

**Minister Willis** to follow

- As well as driving productivity through a targeted reduction in the size of the public service, we also need to extract fiscal savings.
- You will have seen the recent credit downgrade from Moody's, which reinforces our need to continue to show commitment to reducing government expenditure. We must keep our books in order.
- Cabinet has previously given Budget Ministers delegated authority for baseline reductions. In balancing continued service delivery performance with the need to contribute efficiencies, we will be confirming a baseline reduction of 5% in financial year 2027/28 and another 5% in financial year 2028/29 in this Budget for components of baselines across agencies in scope. This is the same approach that we've applied for the 2% reduction in Budget 2026.
- The FTE reduction and baseline reduction collectively drive officials to realise productivity gains from transformation quickly.
- [33] I expect that the Public Service Commissioner and Secretary to the Treasury will follow up directly with Chief Executives at the appropriate time.
- These targets may require us to contemplate some hard choices. We have some time before we need to make detailed decisions. This programme of transformation will deliver the productivity gains we need. The MCERT approach shows the scale of potential benefits available.
- Communicating our transformation narrative and expected productivity gains will be critical. We intend to bring this together with Budget

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| | messaging so that there is a very clear line of sight between the fiscal situation and the need for transformation to realise efficiencies. So, any communications are to be coordinated through the Minister of Finances office, [33] |
| **Implementation approach (FTE Reductions)** | • Announcements and commissioning to follow Budget Package decisions.<br>• This is a system transformation, not a short-term savings exercise.<br>• The Public Service Commissioner will set clear system expectations and work closely with Chief Executives, who retain responsibility for workforce decisions in their agencies.<br>• Implementation [33]<br>    ○ [33]<br>    ○ [33] aligns workforce change with digitisation, operating model reforms and machinery of government decisions with agency proposals to meet the 2029 FTE target.<br>• Progress will be monitored regularly, including changes in the balance between frontline and service-support roles. |
| **Key messages for Ministers** | • This transformation is about improving the quality, responsiveness and affordability of public services.<br>• Digital and AI are central enablers, allowing government to do things smarter rather than simply bigger.<br>• Workforce restraint is part of a wider, coherent transformation – enabling us to realised productivity gains – not an isolated cost-cutting exercise.<br>• Frontline services remain the priority; the focus is on reducing service-support growth.<br>• The Public Service Commissioner, working with Chief Executives and central agencies, will implement changes carefully and responsibly.<br>• It is important to continue our commitment to reduce government expenditure. Transformation will help us to realise productivity gains. |

**Noted**

Hon Paul Goldsmith
**Minister for the Public Service and Digitising Government**

**Noted**

Hon Nicola Willis
**Minister of Finance**