The Treasury

Budget 2026 Information Release

September 2026

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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 TAI ŌHANGA
THE TREASURY

Treasury Report: Confirming next steps on Performance Plans and a baseline reduction

Date:	2 July 2025	**Report No:**	T2025/1753
		File Number:	BM-2-1-2027-M120493

Action Sought

	Action Sought	Deadline
Hon Nicola Willis **Minister of Finance**	**Indicate** your preferred scope of the baseline reduction process. **Agree** to defer formally commissioning Performance Plans until Budget settings to plan within are confirmed	4 July 2025

Contact for telephone discussion (if required)

Name	Position		Telephone	1st Contact
Katelin Livingstone	Analyst, Budget	[35]	N/A (mob)	✓
Tom Brooke	Principal Advisor/Head of Savings Policy, Budget		N/A (mob)	

Minister's Office Actions (if required)

Return the signed report to Treasury.

Note any feedback on the quality of the report	

Enclosure: No

Treasury Report: Confirming next steps on Performance Plans and a baseline reduction

Purpose of Report

1. We seek your confirmation on how you want to proceed with implementing a baseline reduction for Budget 2026. This report provides you with options that address your request for a higher level of certainty and specificity up-front in communicating a baseline reduction process to Ministers.

2. We also seek your agreement to defer, formally commissioning Performance Plans, until you have decided on the Budget settings that agencies should use for planning purposes. Should you decide to defer, we will reinforce and support agencies in preparing for the three priority shifts for Performance Plans. As part of this preparation, we seek your agreement to engaging with a few selected departments as a next step in building the quality of value and performance reporting.

Background

3. Following our discussion at the Weekly Agency Meeting (WAM) on Wednesday 25 June, you directed the Treasury to ensure that you can provide your Ministerial colleagues with greater certainty that the savings you are asking for are achievable, and link to your objectives for a smaller, smarter, and more sustainable public service.

4. You specified to achieve these savings, that you are interested in linking to opportunities like digital transformation, structural reform, and spend-to-save initiatives. We acknowledge that this means a shift away from a 'mechanical' baseline reduction that we previously suggested, and toward a more directive approach to targeting savings from agencies.

Scope of Baseline Reduction Process

5. You have indicated that you do not wish to progress with a 'mechanical' baseline reduction, in which agency savings targets are set centrally, based on a determined eligible base but agencies have full discretion and ownership about how they meet their target. This approach would provide strong fiscal signalling but trades off lower upfront certainty over the type of savings identified.

6. Shifting away from a mechanical baseline reduction toward a more directive savings process with higher up-front certainty trades off several objectives:

    a A directive and higher-certainty approach will need more time, engagement, and up-front assurance to ensure the quantum and type of savings are clear.

    b It may result in a smaller eligible base of spending, as implementation relies on assessing appropriateness of expenditure against criteria, potentially creating further areas for exclusion (for example, thematic approaches may not be appropriate to apply to expenditure provided to Crown Entities).

Treasury recommends a targeted approach that still allows flexibility…

7. We recommend setting an indicative baseline reduction, in which agencies are given both a broadly applied target and thematic areas of spending to identify savings from (e.g., digitisation, machinery of government changes).

8. This can inform our assumptions of an eligible base and what a realistic centrally set target can be. In addition, some agency-specific considerations can also be set as parameters, from which the agencies identify specific savings (e.g., Department of Conservation targeting user-pays activities).

9. This option provides:

   a a target to anchor agency's engagement and ensure a level of fiscal impact is achieved

   b guidance on areas where savings are expected from agencies (e.g., data and digital, workforce efficiencies, legislative change, machinery of government)

   c flexibility to adjust expectations based on agency size, form, and function.

10. This option provides more certainty over the type of savings options that will be submitted compared with the mechanical option, and that these will meet your objective of a smaller, smarter, and more sustainable public sector. It will require a slightly more bespoke target setting and upfront judgement to align to agency circumstances and will therefore sit on a longer timeframe than the 'mechanical' option previously outlined.

… while ensuring that underlying elements of the programme are upheld

11. We explored a further, more comprehensive option beyond this, in which a specific list of options bespoke to every agency is centrally identified (through agency engagement) with no formal savings target (quantum emerges from submitted agency proposals).

12. While this provides higher certainty over what is submitted, this option sits in closer alignment with what would typically be considered as the targeted policy savings track through Budget strategy. Work on the Budget strategy is to commence shortly.

13. If you were interested in progressing this approach, then we would recommend progressing this as early work to be completed on determining areas that could be in scope for invitation to the Budget 2026 targeted policy savings track. Longer lead-in time would be required to determine specific savings options, as this approach would be fully bespoke to each agency. We are unable at this stage to advise what level of savings this will be able to produce.

Further Considerations

14. There are specific considerations that need to be considered whichever course of action is taken:

   a Ministerial engagement: Strong Ministerial signalling is required to ensure agency engagement and participation (including through Cabinet or Budget Ministers).

   b Timeframes: While a mechanical reduction is the fastest to implement, a more nuanced approach is better suited to delivering more enduring savings, however, all options identified may not be implementation ready by Budget 2026.

Engagement with the Public Service Commission

15. We are working with PSC to better understand the status of their work programme on options for more fundamental shifts in the operation of the public sector, notably their work on data and digitisation and their review of the wider machinery of government (e.g., consolidation of back-office functions). As we get a better understanding of this, we will better understand how this may be able to be incorporated into the baseline reduction process.

16. In addition, we will work with you and your Office to facilitate a joint Treasury and PSC meeting to discuss their findings to date, and how this can best feed into the baseline reduction process.

Performance Plans Process

17. The decisions you take above will impact the Performance Plans process.

18. The planning and budgeting processes need to be integrated, and funding assumptions for developing Performance Plans need to be credible and challenging, in order to support your ambition for transformation and reform across the public service.

19. Without funding assumptions being communicated for planning purposes, the default that Cabinet agreed for Performance Plans is for planning to occur on the basis of managing within current baselines (refer Cabinet Office Circular[1]). We do not consider that this default setting is sufficiently challenging to drive the level of transformation you are seeking for many agencies, nor will it be credible if it is out of step with subsequent decisions on Budget settings.

20. We propose formally commissioning Performance Plans once you have decided on the Budget settings that agencies should use for planning purposes. At that time we will advise how the planning process will inform key Budget steps (such as Budget invitations) and timing for delivery of initial (and final) Plans.

21. Before this formal commissioning of Performance Plans, we can continue to actively engage with agencies to reinforce budgeting and planning expectations and the three priority shifts for Performance Plans (driving fiscal discipline; a sharp lift in performance; and greater visibility of Crown entities' performance). This active engagement involves:

22. **Delivering key messages for upcoming Budget and year two Plans.** These messages would emphasise that transformative change is needed across the public sector in order to be smarter, more productive and more sustainable, and that these transformative expectations will be a feature of the upcoming Budget and Performance Planning processes.

    a **Intensive engagement** with the following departments on value and performance: Ministry of Justice, Ministry of Defence, NZ Defence Force, and Ministry for Primary Industries. These were our 'first best' list of departments as we consider they have the capability and foundations to make demonstrable improvement in value and performance reporting, and lessons from this engagement would be passed to other agencies. We now seek your confirmation to progress this engagement at this time (for ease of reference, the recommendations are those we provided in the earlier paper T2025/1676).

[1] CO (24) 4 – Performance Plans: Requirements and Expectations

b **Working with monitoring departments and key Crown entities** on the proposed shift for greater visibility of these entities in Performance Plans.

23. If Plans are to be commissioned before budget settings are firmed up, this will require setting the funding parameters for agencies to plan within (the default is to manage within existing baselines), deciding if these parameters apply to some or all agencies (ie, whether to adjust the parameters for investment priority areas of Education, Law and Order, Defence and Health), and the timing for submitting initial Plans.

24. These funding and timing planning assumptions should be reviewed once the budget settings are confirmed, to ensure delivery of the Plans is aligned with budget processes. If you want to proceed with this approach, we will report further with proposals for funding parameters and timing.

Engagement with Budget Ministers

25. At WAM on Wednesday 25 June, you agreed to have a Budget Ministers meeting in late July, and requested that the material include a version of the savings and spending "stack graph" that was used in Budget 2025.

26. We propose that the focus of this meet is two-fold:

a The first is setting out the Government's fiscal strategy and policy objectives, and that in order to achieve these, there are some big policy choices that need to be made over the medium-long term across the Balance Sheet, Expenditure, and Revenue strategies.

b The second is setting the scene for Budget 2026 by outlining some of the key spending areas that will need to be considered this Budget, the broad approach to savings and the role of Performance Plans.

27. You are meeting with the Minister for Revenue on the tax work programme on 28 July. We therefore recommend that Budget Ministers takes place later in the week of 28 July. We will provide a draft of the Budget Ministers slides to you in mid-July for feedback.

28. In Budget 2025, you had monthly Budget Ministers meetings during the strategy, design and invitation phases between July-November. We recommend that this approach continues for Budget 2026 and will provide you with more advice about the potential focus of these meetings.

Next Steps

29. Following your decision on the scope of this baseline reduction, we will provide you further advice on the refined scope, including options for targets and areas of savings you would like to identify through this process (locking in the themes).

30. We will also provide you with advice on the timeline for implementation of this process, as well as how this sits alongside the Performance Plans timeframe.

Recommended Actions

We recommend that you:

Baseline Reduction

a **agree** to an indicative baseline reduction, in which agencies are given both a broadly applied target and thematic areas of spending to identify savings:

Agree/disagree

b **note** we are working with the Public Service Commission on their workstreams around data and digitisation and machinery of government, and how this can be better incorporated into the baseline reduction process.

Performance Plans

c **agree** to formally commission Performance Plans once you have decided on the Budget settings that agencies should use for planning purposes.

Agree/disagree

d **note** that, subject to your agreement to the baseline reduction approach, Treasury would actively engage with agencies to reinforce budgeting and planning expectations and the three priority shifts for Performance Plans of: driving fiscal discipline; a sharp lift in performance; and greater visibility of Crown entities' performance.

[for ease of reference, the following two recommendations repeat those in T2025/1676]

e **confirm** the departments to include for intensive engagement to improve how they assess and communicate the value and performance of their spending

Ministry of Justice	*Yes / No*
Ministry of Defence	*Yes / No*
New Zealand Defence Force	*Yes / No*
Ministry for Primary Industries	*Yes / No*

f If one or more departments in recommendation e is not confirmed, **advise** if there is an alternative department(s) to include in this exercise

Department name:

Department name:

g **note** that the Treasury will support your office to confirm the departments for intensive engagement with responsible Ministers.

h **note** that if you want to proceed with commissioning Performance Plans earlier, this will require setting the funding parameters for agencies to plan within, deciding if these parameters apply to some or all agencies, the timing for submitting initial Plans, and reviewing these funding and timing assumptions once the budget settings are confirmed.

Budget Ministers

i **agree** to have a Budget Ministers meeting later in the week of 28 July, focused on:

- Outlining the big policy choices that will need to be made over the medium-long term across the Balance Sheet, Expenditure, and Revenue strategies.

- Setting the scene for Budget 2026.

j **agree** to have monthly Budget Ministers meetings for the rest of 2025.

Agree/disagree

Tom Brooke
Principal Advisor/Head of Savings Policy

Hon Nicola Willis
Minister of Finance

_____/_____/_______