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

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.

Treasury Report: Draft Budget 2026 Invitation Letters

Date:	2 October	**Report No:**	T2025/2549
		File Number:	BM-2-1-2026-M128608

Action sought

	Action sought	Deadline
Hon Nicola Willis **Minister of Finance**	**Indicate** your decisions on outstanding initiatives in Annex A **Provide** feedback on the attached invitation annexes, baseline reduction annex template and Budget invitation letter template.	6 October 2025

Contact for telephone discussion (if required)

[39]

Name	Position	Telephone	1st Contact
Kevin Cho	Senior Analyst, Budget	N/A (mob)	✓
Emily Fulford	Team Leader, 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: Yes

Treasury Report: Draft Budget 2026 Invitation Letters

Purpose of Report

1. This report seeks your decisions and feedback on the following:

   a Follow-up advice on Budget 2026 invitations following our previous advice in T2025/2482 (**Annex A**);

   b Budget 2026 invitation letter templates (**Annex B**);

   c Baseline reduction annex template (**Annex C**); and

   d Individual agency invitation annexes (**Annex D**).

Background

2. Following our advice on Budget 2026 invitations, you requested advice on a number of outstanding initiatives, including Pharmac and Foreign Affairs [T2025/2482 refers]. This advice is attached in **Annex A**, alongside other outstanding initiatives that require your decisions.

3. We have incorporated your feedback on the draft templates for Budget invitation letters in **Annex B.** We have included wording to emphasise agencies putting forward asset recycling options and set expectations on specific agencies to engage with the Social Investment Agency for initiatives that may benefit from applying a social investment approach and principles.

4. If agencies are invited for a baseline reduction, they will be provided the savings annex attached in **Annex C**. This annex will set out agencies' baseline reduction target, how their eligible base was derived, and expectations for meeting their savings target.

5. Attached to each letter will be an annex outlining what the respective portfolio Ministers have been invited to submit into Budget 2026. Drafts of these annexes are attached for your feedback in **Annex D**. These reflect your decisions to date on invitations for individual initiatives and envelopes.

Additional context for specific spending annexes

Early Childhood Education

6. The Associate Minister of Education's invite letter includes early childhood education (ECE) costs, on the condition that:

   a any ECE-related initiatives submitted are limited to critical cost pressures,

   b should be fully offset by reprioritisation within existing ECE baselines i.e. a fiscally neutral package, and

   c if a cost adjustment is sought as part of the submission, it should be no higher than forecast CPI (as at BEFU 2025).

7. This is a more restrictive approach to ECE than was taken last Budget, so we want to confirm your comfort with the above conditions. We consider these conditions to be appropriate given the fiscal circumstances and findings from the ECE funding review will not be available until after Budget 2026. Please indicate if you would like to amend the proposed conditions to give Hon Seymour more flexibility (for example, by allowing new spend as well as cost pressures to be submitted and/or not requiring costs to be fully offset by reprioritisation), otherwise we will keep the invite letter as currently drafted.

Undisclosed Energy / Resources item

8. You agreed to include a placeholder initiative in Budget 2026 for potential challenges in the energy sector. We recommend the placeholder is held confidentially for the time being. This provides scope to deal with emerging issues through the Budget process, if necessary, without actively encouraging the development of new spending initiatives. Accordingly, the draft invitation letter for the Ministry of Business, Science and Innovation will not refer to this placeholder initiative.

9. As you are the lead Minister for the Ministry of Business, Science and Innovation, Associate Minister of Finance Hon Bishop will send this letter to you, and therefore it is not attached to this report.

Ka Ora, Ka Ako | Healthy School Lunches Programme

10. We understand that you wish to make a decision on inviting the Healthy School Lunches Programme into Budget 2026 after Cabinet considers the Associate Minister of Education's proposals for the Programme at SOU on Wednesday 8 October.

11. Based on the last version of the Cabinet paper Treasury has seen, Hon Seymour's indicative proposal is to seek two-year time-limited funding, to continue the Programme in the interim whilst a broader work programme commences. In the draft Associate Education invitation letter, we have included a placeholder initiative for Healthy School Lunches, with a condition that different funding options, including both ongoing baseline funding and time-limited funding, are submitted. If you have any initial feedback on the current placeholder initiative and condition, please indicate this and we will amend it accordingly. Otherwise, we will amend the placeholder initiative once the Healthy School Lunches Cabinet paper has been considered by SOU.

Foreign Affairs

12. We have not included an invitation annex for Foreign Affairs as there are outstanding decisions on specific invitations. We have provided you with our advice on the invites for Foreign Affairs in **Annex A**. Your decisions will be reflected in the final invitation letters and annexes you will receive on Thursday 9 October.

Health – pay equity

13. For the Health operating envelope annex, we have signalled that pay equity costs arising from claims for Plunket and Hospice nurses can be included within the envelope. Given these costs are uncertain and may not eventuate, we can specify further conditions, for example these costs may only be included if the pay equity claims are settled in advance of final Budget decisions. [33], [38]

Budget 2026 letter template

14. We understand that, as the Minister for Social Investment, you have agreed the Social Investment Agency (SIA) will take a targeted approach to Budget 2026. This includes prioritising support for specific initiatives and savings options where there are opportunities to apply a social investment approach and principles.

15. Following discussions with SIA, we have included a placeholder direction for the health and education agencies to engage with SIA on potential initiatives. Additionally, there are expectations included in the invitation annex for [33] and for New Zealand Statistics around the Modernising the Integrated Data Infrastructure. We will continue to work with the Social Investment Agency on the wording and reflect this in the final letters and annexes you will receive next Thursday.

Next steps

16. Following your feedback letters and annexes for Budget 2026 invitations and decisions made at Budget Ministers on Monday 6 October, we will provide you with final copies of these for your approval on Thursday 9 October.

17. We are working towards issuing invitation letters on 13 October (before your international travel), so that portfolio Ministers and agencies have the maximum time available to develop their spending and savings submissions.

Recommended actions

We recommend that you:

a **indicate** your decisions on outstanding initiatives in Annex A; and

b **provide** feedback on the attached draft invitation annexes, baseline reduction annex template and Budget invitation letter template at Annexes B – D.

Emily Fulford
Team Leader - Budget

Hon Nicola Willis
Minister of Finance

_____/_____/_______

Annex A: Initiatives for invitations

[33]

[33]

Vote Foreign Affairs – Budget 2026 Invitations

Vote	Foreign Affairs
Track	Spending
Description	At WAM on 25 September you indicated your preference for the Minister of Foreign Affairs (the Minister) to report to Cabinet ahead of Budget 2026 on IDC funding requirements, including a decision on the next international climate finance commitment andto directly invite specific initiatives based on those already signalled by the Minister in recent Cabinet papers.
Operating Average Per Annum ($m)	To be confirmed based on your decisions in the below advice.
Total Capital ($m)	N/A
Treasury advice	**<u>International Development Cooperation (IDC) Funding</u>** You requested the Minister take a paper to Cabinet to consider options to address the reduction in IDC funding, resulting from the expiry of time-limited funding provided for the 2022-2025 International Climate Finance Commitment (the Commitment) ahead of Budget 2026. We agree it would be beneficial for these issues to be set out clearly for Cabinet to consider the options and relative priority of providing additional funding for this commitment. There are two inter-related issues we recommend Cabinet consider as part of this Cabinet paper: 1. **A new International Climate Finance Commitment**: New funding provided for the 2022-2025 Commitment expires at the end of FY2025/26. Budget 2025 provided half of the funding required to 'baseline' the previous Commitment ($100 million per annum of IDC funding, plus $5 million per annum for departmental costs). As we have previously advised, we consider any additional IDC funding should be informed by the nature and scope of New Zealand's next Commitment. 2. **Aid for the Southeast Asia region**: This was an IDC funding request ($217.1 million over 2027-2030) signaled by the Minister through his Cabinet paper on implementing the Foreign Policy Reset for Southeast Asia, which he noted was driven by wanting to maintain IDC expenditure in the region in the context of expiring time-limited funding for the previous Commitment [FPS-25-MIN-0021]. We recommend that you invite the Minister, supported by the Minister for Climate Change, to report to Cabinet by the end of the year on IDC funding requirements, including a decision on New Zealand's next international climate finance commitment. Any additional funding required could be pre-committed against the Budget 2026 operating allowance or invited by Cabinet into the Budget 2026 process based on agreed policy decisions. Alternatively, you could invite new IDC funding into the Budget 2026 process (via an invite letter), on the condition that the Minister, supported by Minister for Climate Change, report to Cabinet by the end of the year on IDC funding requirements which account for a new international climate finance commitment. **<u>Potential non-IDC Budget 2026 invitations:</u>** There are additional non-IDC related funding areas the Minister has indicated to be a priority for him in recent Cabinet papers: • **Hosting the 2027 Pacific Island Forum** ($15 million one off): You have already signalled you do not want to invite this into the Budget process [T2025/2274]. [1]

	We do not consider that any of the signaled new spending areas should be invited into Budget 2026 as the associated costs can be met from within baselines. You could also choose to invite the Minister for any other non-IDC related initiatives that we are not yet aware of, to further progress the Foreign Policy Reset.
Conditions on Invitation	• All Budget 2026 invitations would need to be conditional on clear identification of alternative reprioritisation options. • A direct invitation for new funding to address the IDC funding reduction, would be conditional on Cabinet agreement of the nature of a new International Climate Finance Commitment.
MoF Decision	1. *With respect to new IDC funding, either:* a) invite the Minister, supported by the Minister for Climate Change, to report to Cabinet by the end of the year on IDC funding requirements, including a decision on New Zealand's next international climate finance commitment. (YES/NO) **(*Treasury recommended)*** *Or* b) invite new IDC funding in the Budget 2026 invitation letter, on the condition that the Minister, supported by Minister Watts, report to Cabinet by the end of the year on IDC funding requirements which account for a new international climate finance commitment. (YES/NO) *And* 2. *with respect to non-IDC related initiatives, invite:* a) Hosting the 2027 Pacific Island Forum. (*Invite* / *Do not invite*) [1] c) Any other non-IDC related initiatives the Minister would like to submit for further progressing the Foreign Policy Reset. *(Invite / Do not invite*)

Vote Health – Pharmac Initiative

Vote	Health
Track	Other Ministerial Priorities
Description	You have requested a fiscally neutral pharmaceutical proposal for Budget 2026. Following our previous advice, you indicated that you were looking for spending to save pharmaceutical proposals and asked for a proposed quantum if a Pharmac bid was invited beyond that.
Operating Average Per Annum ($m)	$50m p.a. (noting optionality here) or a fiscally neutral option.
Total Capital ($m)	N/A
Rationale for invitation	This invitation would fund more medicines for more New Zealanders and acknowledge the benefit of this investment to the health system. This would also address the Government coalition health commitment to help increase Pharmac's budget every year, noting the significant recent Combined Pharmaceutical Budget funding you provided at Budget 2024 and Budget 2025.
Treasury advice	Some pharmaceutical spending can help reduce costs that could have otherwise arisen in the health system, for example, a person who is medicated for a condition not then needing to present at ED. However, formally banking savings in the Government accounts from additional pharmaceutical expenditure requires a degree of confidence that we are unlikely to have due to: • the nature of demand in our rationed health system filling to meet any 'space' created; and • impacts being **avoided** future cost pressures (i.e. reduced demand growth in the future) rather than savings in current health system costs. Unlike for welfare benefit payments, future demand and price growth for Vote Health are not built into Treasury's forecasts. That being said, we recognise that you want to progress an invest to save pharmaceutical proposal and understand the rationale. In our view, you could invite: a) **An initiative providing uplift to the Combined Pharmaceutical Budget.** While this would not bank savings, high-level information on flow-on impacts for other parts of the health system could be used to support Budget communications. - You could request more information from health officials on how this investment in new/widened access to medications will support the health system. - There is optionality on the quantum. You could invite an average of $50m p.a. Last budget, Pharmac noted that funding an average of $52.5m p.a. would fund 15 new or widened access medicines, including two cancer medicines (noting this was a point in time estimate). - **You could also explicitly direct Pharmac to assess and provide information on broader societal impacts**. Pharmac submitted a proposal at Budget 2025 for a pilot for considering societal impacts when assessing funding applications. *and/or* b) **An initiative directing Pharmac, Ministry of Health and Health NZ officials to develop a framework and proposal for a fiscally neutral initiative.** As noted above we are concerned that we are unlikely to have sufficient information to enable us to bank savings from an initiative. However, we have set out some possible conditions below and could see what proposal the entities provide.
Conditions on Invitation	**For proposal a)** you could request: Pharmac, Ministry of Health and Health NZ officials to provide an initiative with detail on the value of the investment and the benefits to patients and the health system including any avoided future costs. *and/or* Pharmac officials to provide an initiative with detail on a broader societal impacts assessment approach pilot. **For proposal b)** you could request: Officials from the Ministry of Health, Pharmac and Health NZ work, in consultation with Treasury officials, to develop a framework with specific detail on if and how: a. this pharmaceutical funding could result in tangible savings or avoided future cost pressures in other areas of health system spend;

	b. these savings could be used to offset the CPB uplift in practice, and possible implications for the Pharmac model: and c. realisation of these savings could be monitored.
MoF Decision	a. Agree to invite this initiative into Budget 2026 *agree / disagree* b. Agree to invite this initiative as: *Proposal a)* *yes/no* *Proposal b)* *yes/no* *Both proposal a) and b) if you want to keep optionality during the decision-making phase* *yes/no*

Vote Internal Affairs – 2026 General Election Support

Vote	Internal Affairs
Track	Cost Pressures – Core Services
Description	This initiative provides funding for costs incurred in preparing for and delivering the transition to the incoming Executive, following the 2026 General Election. Funding will ensure that incoming Ministers have access to staff, technology, office accommodation and other non-discretionary entitlements that they require to be immediately functional and deliver on priorities.
Fiscal implications	Recent information from DIA suggest that final costs are likely to range from $4 million for a small-scale change to up to $12 million for a large-scale transition (e.g., a large-scale scenario from the 2023 General Election assumed a change of up to 28 outgoing and 30 incoming Ministers) DIA has indicated that costs are likely to start arising from 2025/26 (around $1 million based on estimates from the 2023 General Election). However, we consider these could be managed within baselines, with DIA invited to request funding through Budget 2026 for costs arising from 2026/27 onwards. Further opportunities for scaling can also be considered as part of the Budget process. For past initiatives of this nature, funding has been appropriated at a scaled amount, with the remaining portion of funding set aside in a tagged contingency that can be drawn down by Joint Ministers should the costs of the transition be higher than forecast. Any funding remaining in the tagged contingency would be returned to the centre as savings.
Rationale for invitation	Meets the definition of a critical cost pressure: • Unable to be deferred without service delivery failure • Funding is required to meet legal obligations, and • There are limited options for managing the costs with non-spending levers.
Treasury advice	We recommend this initiative is invited for Budget 2026 given its non-discretionary nature and timing of the costs. Historically, election transition costs have been funded through the Budget process ahead of a General Election. Actual costs incurred by DIA in managing the transition are dependent on the scale of change resulting from the General Election, and the size, form, and resourcing requirements of the incoming Executive. These factors are unknown prior to the confirmation of election results and the formation of the incoming Government and Executive Council. DIA has indicated that absorbing the unavoidable and non-discretionary costs incurred in the transition to an incoming executive would likely mean significantly reducing services and staffing levels for Ministers and/or going unappropriated. Costs incurred include: • Immediate and ongoing staffing, technology, and resourcing requirements of the incoming Executive • Contractual payments to outgoing Ministerial office staff, and • Security assessments and other legislative entitlements for Ministers. Regardless of the result of a General Election, DIA has noted (based on previous experience) that there are likely to be considerable changes to Ministerial portfolios, responsibilities, and office staff during the transition period. Baseline resources are prioritised for supporting the transition period to the extent possible, however we understand that specialist project and change management capability is required and short-term resourcing is needed to manage increased workloads. If this initiative is not invited for consideration, there is a high risk that DIA will need to request out of cycle funding through the 2026/27 Between Budget Contingency (BBC) as costs are expected to start arising from 1 July 2026. If a decision were to be taken in the period after the General Election but before a new administration was sworn in – we would need to consider the implications of the caretaker convention on making such a decision and consult with the Cabinet Office if appropriate.
Conditions on Invitation	We recommend that this initiative is invited for Budget 2026 for costs arising from 2026/27 and that DIA are asked to present options for scaling and absorb any transition costs incurred in 2025/26 within baselines.
MoF Decision	a. Agree to invite this initiative into Budget 2026 for costs arising from 2026/27 onwards and that its submission presents options for scaling. *Agree / disagree*

Vote Tari Whakatau: Takutai Moana Financial Assistance Scheme

Vote	Tari Whakatau
Track	Spending
Description	One of Te Tari Whakatau’s core functions is facilitating the delivery of Takutai Moana determinations through the provision of financial assistance to claimants. The annual funding demands are based on the volume of Takutai Moana hearings scheduled by the High Court.
Operating Average Per Annum ($m)	0
Total Capital ($m)	0
Treasury advice	We recommend not inviting this initiative as it is not a critical cost pressure. You previously agreed to invite cost pressure funding for the Takutai Moana Financial Assistance Scheme, which we had recommended as Te Tari Whakatau (TTW) advised forecast demand would exceed baselines from 2026/27 onwards if substantive policy changes were not made [T2025/2274 refers]. TTW has since advised that 2026/27 demand will likely be manageable within baselines as many hearings have been rescheduled to future years. Cost pressures in 2027/28 and outyears can be considered in future Budgets [33] [33]
Conditions on Invitation	Not applicable
MoF Decision	a. **agree** to not invite this initiative into Budget 2026. *Agree / Disagree*

Envelope agency letter

Hon [Minister]
Minister of/for [portfolio]
Parliament Buildings

Dear [Minister]

Thank you for your engagement on Budget 2026.

As discussed at Cabinet on 29 September, Budget 2026 is taking place in a tight fiscal environment and global uncertainty [CAB-25-MIN-0340]. In light of this, it is crucial that we continue to maintain fiscal discipline to achieve better economic outcomes for New Zealanders.

I am writing to you to set out the core components of Budget 2026 and the specific areas and initiatives I am inviting you to submit for Budget 2026.

Envelope – Spending (Operating)

You are invited to submit spending initiatives (including operating expenditure associated with capital initiatives) within an operating expenditure envelope for Budget 2026. Low, medium, and high envelope scenarios envelopes are annexed to this letter (Annex [envelope]). An envelope does not constitute a guarantee of funding at any particular level.

These are net envelopes (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, I 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, I would like you to consider options that align with the guidance I am setting for other Ministers delivering baseline reductions in support of wider public sector reforms, which are set out in Annex [savings]. I expect that the envelopes in future years will be constrained, reflecting this programme of reform.

[Health, Education only paragraph]
There may be opportunities to apply a social investment approach and principles to the initiatives submitted for your envelope. I ask that your agencies please engage with the Social Investment Agency on initiatives that could be considered in scope.

You have flexibility on which initiatives you submit within the envelope. However, you should prioritise coalition commitments and funding necessary to maintain critical service delivery, including the costs associated with higher KiwiSaver employer contributions.

Envelope – Capital

You are also invited to submit investment initiatives within a capital envelope for Budget 2026. You have flexibility on which initiatives you submit within the envelope. However, I have included a list of initiatives that I would like to see prioritised.

A significant number of agencies had large capital underspends in the last financial year. When developing reprioritisation options, I expect you to consider reprioritising existing funding, and/or consider asset recycling options before seeking new funding. As this is a net envelope, and any savings or asset recycling options you identify can be used to offset expenditure.

Delivering infrastructure in a timely manner is essential for us to deliver on our Going for Growth plan and broader government priorities. Therefore, I intend to only recommend to Cabinet funding initiatives that I am assured can be delivered promptly.

In practice, this means that Budget Ministers will be considering whether – where relevant – Cabinet has agreed to a Detailed Business Case (DBC) or Single State Business Case (SSBC) ahead of submission or one is due to be considered by Cabinet before April 2026; and whether a project will start work within twelve months of funding. 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.

Public sector reform and baseline reductions

The Government is considering reforms to deliver a leaner, efficient public service by modernising operating models, digitising services, and focusing resources where they deliver the greatest value. It is my expectation that you consider and progress changes in your agency that will support these goals.

Your agency is exempted from the baseline reduction exercise this year. Notwithstanding this exemption, options for savings and reprioritisation should be met from reductions in agencies' costs in the first instance, including through public service reform, and carefully consider any reductions to services from third-party providers that may impact frontline services.

On top of this, my expectation is that you should make savings from the following areas:

- Structural changes through consolidating Crown entities or back-office functions
- Scaling or closing low-value programmes and policy areas
- Departmental efficiencies (such as through realising benefits from digitisation or automation, reducing contractor and consultant spending)
- Invest-to-save initiatives (where these are realistic, can be booked, and result in overall savings over the forecast period and that are ongoing).

Value-for-Money

When making decisions on Budget initiatives, Budget Ministers will consider whether the initiative is supported by strong evidence, has a clear delivery plan, and presents robust value-for-money analysis, including climate impacts analysis, where relevant. The Treasury will issue specific guidance to agencies about the analysis that they are expected to submit alongside initiatives.

Next steps

The Treasury will be issuing guidance and templates for agencies shortly, which will include more detailed requirements for the Budget 2026 process.

I invite you to write to me by [Date] providing a brief summary of your spending and/or savings submissions. I ask that you agency also submits initiatives into the Treasury's system by [Time, Date]. The Treasury will be issuing guidance and templates for agencies shortly, which will include more detailed requirements for the Budget 2026 process.

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 [Minister]
[Chief Executive]

Non-envelope agency letter

Hon [Minister]
Minister of/for [portfolio]
Parliament Buildings

Dear [Minister]

Thank you for your engagement on Budget 2026.

As discussed at Cabinet on 29 September, Budget 2026 is taking place in a tight fiscal environment and global uncertainty [CAB-25-MIN-0340]. In light of this, it is crucial that we continue to maintain fiscal discipline to achieve better economic outcomes for New Zealanders.

I am writing to you to set out the core components of Budget 2026 and the specific areas and initiatives am I am inviting you to submit for Budget 2026.

Spending

The list of operating spending initiatives I am inviting you to submit are annexed to this letter. While these initiatives will be considered as part of the wider Budget 2026 process, 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. 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 will need to be managed within your agency's baseline.

Capital

The list of capital spending initiatives I am inviting you 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, I 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, I intend to only recommend to Cabinet funding initiatives that can be delivered promptly.

In practice, this means that I will be considering whether – where relevant – Cabinet has agreed to a Detailed Business Case (DBC) or Single State 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, I expect that a draft document will be made available.

Public sector reform and baseline reductions

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

As agreed by Cabinet, in support of these reforms most agencies outside envelopes are being set a baseline reduction target over the next three Budgets. Annex [savings] includes your agency's savings target, outlines how targets are calculated, and sets out guidance for how these targets should be met.

Targeted Policy Savings

Please refer to Annex [Savings] for the list of targeted policy savings initiatives I am inviting you to submit. Please provide a range of options, including how savings can be maximised and what trade-offs this entails. These initiatives must be in addition to your baseline savings target.

Value-for-Money

When making decisions on Budget initiatives, Budget Ministers will consider whether the initiative is supported by strong evidence, has a clear delivery plan, and presents robust value-for-money analysis, including climate impacts analysis, where relevant. The Treasury will issue specific guidance to agencies about the analysis that they are expected to submit alongside initiatives.

Next steps

The Treasury will be issuing guidance and templates for agencies shortly, which will include more detailed requirements for the Budget 2026 process.

I invite you to write to me by [Date] providing a brief summary of your spending and/or savings submissions. I ask that you agency also submits initiatives into the Treasury's system by [Time, Date]. The Treasury will be issuing guidance and templates for agencies shortly, which will include more detailed requirements for the Budget 2026 process.

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 [Minister]
[Chief Executive]

Agency without a Budget 2026 invitation

Hon [Minister]
Minister of/for [portfolio]
Parliament Buildings

Dear [Minister]

Thank you for your engagement on Budget 2026.

As discussed at Cabinet on 29 September, Budget 2026 is taking place in a tight fiscal environment and global uncertainty [CAB-25-MIN-0340]. In light of this, it is crucial that we continue to maintain fiscal discipline to achieve better economic outcomes for New Zealanders.

I am not inviting you to submit any spending initiatives and/or capital investments in Budget 2026. Although I recognise that your agency may be facing pressure on services and outputs, I consider that these pressures can be managed within your agency's baseline. This includes any costs associated with the increase in KiwiSaver employer contributions.

Public sector reform and baseline reductions

The Government is considering reforms to deliver a leaner, efficient public service by modernising operating models, digitising services, and focusing resources where they deliver the greatest value. It is my expectation that you consider and progress changes in your agency that will support these goals.

Your agency is exempted from the baseline reduction exercise this year. Notwithstanding this exemption, options for savings and reprioritisation should be met from reductions in agencies' costs in the first instance, including through public service reform, and carefully consider any reductions to services from third-party providers that may impact frontline services.

On top of this, my expectation is that you should make savings from the following areas:

- Structural changes through consolidating Crown entities or back-office functions
- Scaling or closing low-value programmes and policy areas
- Departmental efficiencies (such as through realising benefits from digitisation or automation, reducing contractor and consultant spending)
- Invest-to-save initiatives (where these are realistic, can be booked, and result in overall savings over the forecast period and that are ongoing).

Yours sincerely,

Hon Nicola Willis
Minister of Finance

Cc [Minister]
[Chief Executive]

Annex X – Budget 2026 savings parameters and invited initiatives - [Agency]

1. You must identify options to meet your agency's savings target of $[Target] million per annum. This target is 2% of the agency's eligible base. Savings must average to your agency's savings target over the forecast period **and** continue in outyears.

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

General baseline calculation

3. All departmental and non-departmental operating expenditure is in scope.

4. 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 expenditure deemed unsuitable for including in an eligible base
   - Departmental depreciation.

5. Baseline reduction targets are based on the average baseline expenditure across the forecast period (2026/27 to 2029/30), as presented at Budget 2025.

6. Savings can be found from across the Vote.

Alignment to public sector reform

7. The Government is considering reforms to deliver a leaner, efficient public service by modernising operating models, digitising services, and focusing resources where they deliver the greatest value. It is my expectation that you consider and progress changes in your agency that will support these goals.

8. In line with these goals, it is my strong expectation that targets should be, in the first instance, met from reductions in agencies' costs, including through public service reform, and carefully consider any reductions to services from third-party providers that may impact frontline services.

9. On top of this, my expectation is that you should make savings from the following areas:
   a. Structural changes through consolidating Crown entities or back-office functions
   b. Scaling or closing low-value programmes and policy areas
   c. Departmental efficiencies (such as through realising benefits from digitisation or automation, reducing contractor and consultant spending)
   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).