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

Reference: T2025/2753 BM-2-1-2026-M131303

Date: 6 November 2025

To: Minister of Finance (Hon Nicola Willis)

Deadline: To be discussed at the Weekly Agency Meeting on 12 November 2025
(if any)

Aide Memoire: Update on Budget 2026 savings

Purpose

To provide you with an overview of:

- currently known spending pressures for Budget 2026, accounting for your final decisions on invitations, and
- the likely high and low ends of savings options to offset spending.

Summary

You have now issued most of your Budget 2026 invitations. We consider there are likely to be sufficient options in spending and savings to balance your budget pressures. **We recommend that you do not rule out any further options until package development begins next year**. This will maintain your optionality in developing your budget package.

Over the next week, you are currently scheduled to have the following engagements relevant to key savings streams:

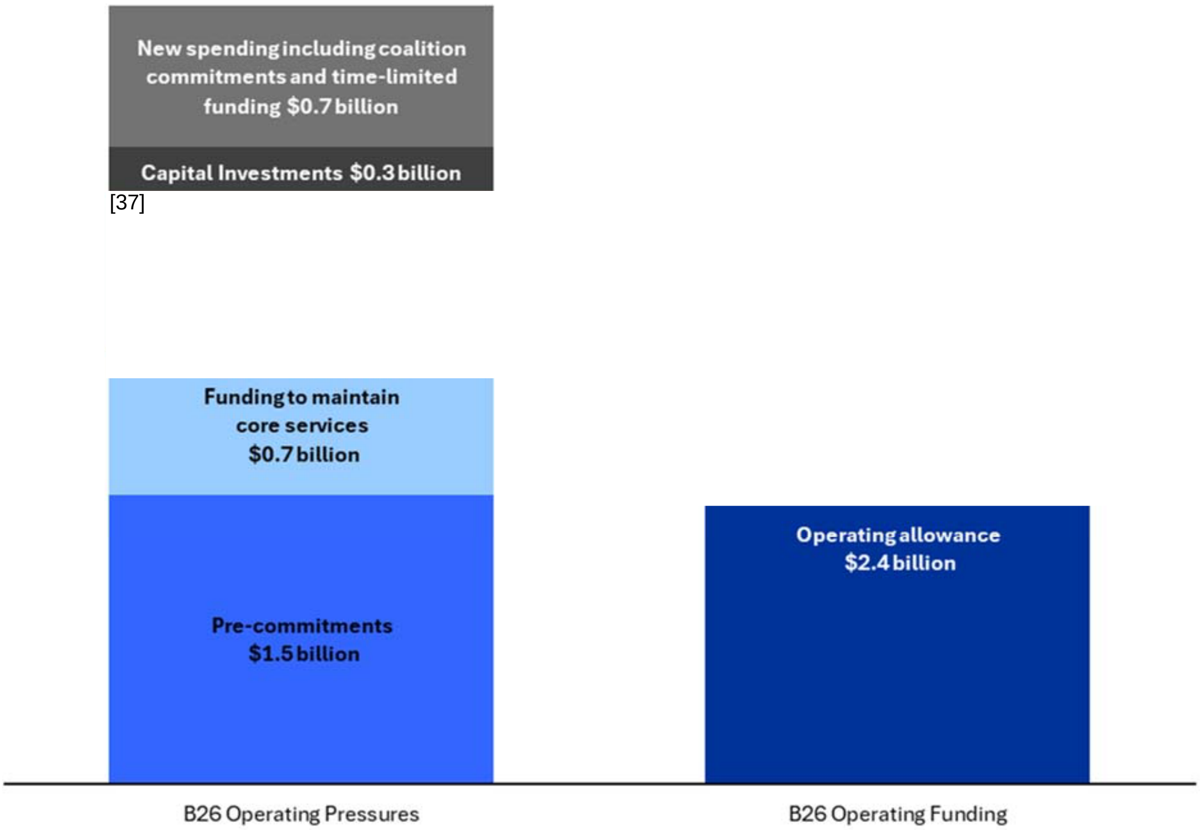
- 12 November: meeting with Hon Upston on welfare; and STR session on Social Housing options, and
- 13 November: meeting with Hon Watts on Shareholder Loans.

Key Points

Accounting for the invitations to Budget 2026 that you have now issued, we have updated the Budget 2026 operating stack graph. The savings and reprioritisation to balance spending pressures now required is [37] per annum:

Figure 1. Budget 2026 operating stack graph as at 6 November 2025

[37]



The operating stack is based on yours and Budget Ministers decisions on Budget 2026 invitations to date, but we note there are several potential risks to the operating pressure numbers above.

This means that aiming for higher savings and reprioritisation will give you additional options to manage any risks. Potential risks include:

- invited initiatives and envelopes requiring more funding than accounted for (e.g. potential costs of the Government's response to the Dame Karen Poutasi report);
- cost pressures that may require funding rather than being managed within baselines (e.g. Mt Ruapehu make-good liability);
- other specific fiscal risks materialising where the potential costs are variable and unknown at this stage, such as the costs arising from Stafford vs Attorney-General; and
- potential late spending initiatives for Ministerial priorities (e.g. [33] Mineral Royalties Sharing), including any centrepiece initiatives for Budget 2026.

The figure below outlines what we consider are the expected high and low scenarios for savings:

Figure 2. Breakdown of savings scenarios

[33]

The table below outlines our assumptions for the high and low scenarios for each of these savings streams, as well as next steps:

Savings stream	**Explanation of scenarios**	**Next steps**
Tax	The high scenario has revenue from Shareholder Loans, charities package, an Australian-style bank tax, interest allocation for bank branches, and foreign buyers charge. The low scenario only has revenue from a charities package, prudential levy, and interest allocation for bank branches.	You have received advice on bank measures this week. As in Budget 2025, we understand you and the Minister of Revenue will meet regularly and take decisions alongside the Budget package development process in early 2026.
Welfare	[33]	You are receiving further advice on welfare options for change on Monday 10 November, and meeting with Hon Upston to discuss on Wednesday 12 November.

Working for Families (WFF)	[33]	
Social Housing	The high value assumes increasing Income-Related Rent co-payments to 30% in 2027, then to 35% in 2029.	We understand Hon Bishop intends to take an item to STR on Tuesday 11 November to socialise this work with Ministerial colleagues.
Baseline reduction	The high value assumes managing a 12% reduction to eligible bases all against Budget 2026 allowance. The low value assumes managing a 2% reduction to eligible bases against the Budget 2026 allowance.	We understand you are meeting with the Minister for the Public Service to discuss a programme of public sector transformation as a vehicle for further baseline reductions. We will provide you further advice, both for this meeting and based on its outcomes.

Reprioritisation will require focused effort to reduce spending pressures

The above savings estimates do not account for the potential of using reprioritisation to fund new spending or cost pressures (outside of envelopes, given they are net concepts). Reprioritisation of 25% for non-envelope spending would reduce spending pressures by around $400 million p.a. At Budget 2025, new spending outside of envelopes was offset by reprioritisation of a little over 10%.

It is realistic to expect more reprioritisation overall, given it was unevenly distributed in Budget 2025 across agencies. Some agencies fully offset spending through reprioritisation, others provided no reprioritisation options. The communication and requirements for reprioritisation options at this Budget are clearer and more direct than last year. However, some initiatives or portfolios will still not be well-placed to submit large reprioritisation options (e.g., where new funding or cost pressures are a significant portion of a baseline).

Ensuring your operating stack remains balanced

The set of options currently available provide sufficient savings to balance against your spending pressures. However, this would require following through on almost all options to the full extent possible and assumes no further spending pressures are added.

To ensure you have optionality in delivering your Budget, we therefore recommend:

- **Not ruling out any further savings options until initiatives have been submitted** and package development begins in earnest in early 2026. Waiting until agencies submit initiatives will ensure each initiative's costings, implications, and trade-offs are fully fleshed out and can be traded off against one another.

- If you wish to consider **centrepiece initiatives or additional Budget workstreams**, focusing on non-fiscal initiatives or initiatives fully funded through reprioritisation.

As you have already signalled, you could also consider a larger capital package than the current allowance if there are sufficient high value and delivery ready projects. We will provide you advice on the implications of different capital packages for your fiscal strategy in the new year, and on the overall approach to capital expenditure (including balance sheet options).

Next Steps

We are scheduled to discuss this aide memoire with you at the Weekly Agency Meeting on Wednesday 12 November, ahead of your meeting with Hon Upston on welfare savings.

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