# 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:** Budget 2026 Multilateral on Tertiary Education

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|---|---|---|---|
| **Date:** | 19 March 2026 | **Report No:** | T2026/324 |
| | | **File Number:** | SH-4-6-28-M134256 |

## Action sought

| | Action sought | Deadline |
|---|---|---|
| Hon Nicola Willis<br>**Minister of Finance** | **Discuss** this report with the Ministers for Universities and for Vocational Education at your multilateral meeting | 24 March 2026 |

## Contact for telephone discussion (if required)

| Name | Position | Telephone | | 1st Contact |
|---|---|---|---|---|
| Isabel Dunne | Analyst, Social Sector, Communities and Learning | [39] | [35] | ✓ |
| Mark Hodge | Unit Manager, Social Sector, Communities and Learning | | | |

## Minister's Office actions (if required)

**Return** the signed report to Treasury.

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| Note any feedback on the quality of the report | |

**Enclosure**: No

## **Treasury Report:** Budget 2026 Multilateral on Tertiary Education

## Purpose

1. You are meeting with the Minister for Universities (Hon Dr Shane Reti) and the Minister for Vocational Education (Hon Penny Simmonds), at 5:00pm on Tuesday 24 March to discuss the Ministers' Budget 2026 package for Tertiary Education.

    a. **Annex 1** provides you with a proposed agenda for the meeting and supporting Treasury advice and talking points. **This version will not be provided to portfolio Ministers ahead of the meeting.**

    b. **Annex 2** is an agenda that has – with your office's approval – been sent to the office of the portfolio Ministers and their agencies. **It is provided for your visibility only. You do not need to review it – there is no additional material in Annex 2 that is not already in Annex 1.**

    c. **Annex 3** provides you with an annex of Treasury's assessment of each initiative. **This will not be provided to portfolio Ministers ahead of the meeting.**

2. Decisions taken at this meeting will be reflected in the next draft Budget Ministers' material we are providing you on 8 April.

## Recommended Action

We recommend that you:

a **discuss** the contents of this report with Minister for Universities (Hon Dr Shane Reti) and the Minister for Vocational Education (Hon Penny Simmonds) on 24 March.

**Agenda Item 1 – Savings: Baseline Savings, Fees Free and Student Support**

b **advise** Ministers of your support for the baseline savings submitted, [33]

c **inform** Ministers that you are still working through discussions on Final-Year Fees Free Scheme.

d [33]

e

**Agenda Item 2 – Cost Pressures: Volume and Price Funding**

f **inform** Ministers that you intend to include funding for a 6% increase in the annual maximum fee movement (AMFM).

g **advise** Ministers that you have decided not to include funding for tuition subsidy cost adjustments.

h **inform** Ministers that you intend to include ongoing funding for an approximate 10% increase in Youth Guarantee places, increased equity funding, and an increase to the TEC's balance sheet mechanism.

i advise Ministers that you have decided to include funding for 99% of forecast tertiary education volume at level 3 and above until the end of calendar year 2027.

**Agenda Item 3 – Tertiary education review (optional)**

j **advise** Ministers that continuing to make marginal changes to the balance of learner fees and tuition subsidies will not meaningfully bend the cost curve for tertiary education.

k **indicate** your broad support for a more [33]
, and

EITHER

l **discuss** your priorities for a review of funding and system settings for tertiary education, [33]

OR

m **inform** Ministers that you will write to them about your priorities for a tertiary education review following the multilateral meeting.

Mark Hodge
**Unit Manager**
**Social Sector, Communities and Learning**

Hon Nicola Willis
**Minister of Finance**

***Agenda Item 1 – Savings: Baseline Savings, Fees Free and Student Support***

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| **Description of key issue** | Ministers proposed baseline savings from the Ministry of Education (MoE) and Tertiary Education Commission (TEC) totalling $9.4 million per annum. [33]<br><br>Following initiative submissions, you invited a savings initiative to end Final-Year Fees Free (17356) and requested further advice on savings options [33] [T2025/3050 refers]. |
| **Treasury recommended talking points** | • **Advise** Ministers of your support for the baseline savings submitted, [33] .<br>• **Inform** Ministers that you are still working through discussions on Final-Year Fees Free Scheme.<br>• [33]<br>• **Discuss** the status of the [33] savings initiatives. |
| **Treasury advice** | Three savings initiatives were submitted for Budget 2026:<br>1. **Vote Tertiary Education Baseline Savings (ID 17242)**<br>The submitted baseline savings initiative includes reducing funding [33]<br><br>2. **Final-Year Fees Free scheme (ID 17356) and apprenticeship support**<br>We recommended discontinuing Final-Year Fees Free after 2026 to provide targeted policy savings for Budget 2026.<br>This would achieve up to $300.6 million per annum in savings with minimal risks of adversely impacting participation or progression in study, given there is limited evidence that the First-Year Fees Free programme impacted enrolment decisions |

(while it is possible that the shift to final-year could have further impacts, there is no evidence to support this at this stage). Savings would be partially offset by increased student loan costs (outside of Budget allowances).

Options to phase out Final-Year Fees Free (e.g. grandparenting) are available but these would reduce savings. We have provided information on options to phase out Fees Free and increase support for apprenticeships and trades training separately to support ministerial discussions [T2026/511 refers]. We can provide additional advice on these options, if required.

| ($ million) | Close at 31 Dec 26 | Narrow grandparenting | Broad grandparenting |
|---|---|---|---|
| Operating per annum | (300.6) | (291.9) | (244.9) |

**3.** [33]

You have indicated that you do not wish to [33] at Budget 2026. We recommend you inform your ministerial colleagues of your decision.

In January 2026, you indicated that you wish to receive further advice on options to achieve savings [33] .

We understand the Minister for Universities and Minister for Social Development have agreed that these options would not be ready for Budget 2026 [33]

***Agenda Item 2 – Cost Pressures: Volume and Price Funding***

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| **Description of key issue** | The tertiary education system prioritises universal access for all learners. Current baselines do not cover the expected volume of people seeking to enrol at tertiary providers. Without additional funding, TEC will not be able to fund all forecast volume and further cost-cutting measures by Tertiary Education Organisations (TEOs) may be needed.<br>Ministers submitted initiatives that total $189.8 million per annum. These include funding to meet 99% of demand over the forecast period (including equity funding) and a 10% uplift to Youth Guarantee funding and the TEC's Balance Sheet Mechanism (17237).<br>They also propose to increase revenue to TEOs by allowing an annual maximum fee movement (AMFM) of 6% and providing targeted cost adjustments to subsidies (17236). |

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| **Treasury recommended talking points** | *Cost adjustments*<br>• **Inform** Ministers that you intend to include funding for a 6% increase in the annual maximum fee movement (AMFM).<br>• **Advise** Ministers that you have decided not to include funding for tuition subsidy cost adjustments.<br>*Volume funding*<br>• **Inform** Ministers that you intend to include ongoing funding for an approximate 10% increase in Youth Guarantee places, increased equity funding, and an increase to the TEC's balance sheet mechanism.<br>• **Advise** Ministers that you have decided to include funding for 99% of forecast tertiary education volume at level 3 and above until the end of calendar year 2027. |
| **Treasury advice** | The submitted cost pressure initiatives for Budget 2026 totalled $189.8 million per annum. Given fiscal constraints, this has been scaled down to $89.6 million per annum.<br>______________________________<br>**1. Tertiary Education Price Pressures – Tuition and Training Subsidy and Fees Increase (ID 17236)**<br>You have indicated a preference for providing funding for an increase of learner fees by 6%, but not funding any tuition subsidy increases.<br>MoE has noted that the consequences of this approach are uneven across TEOs and may result in a real reduction in funding for some TEOs. This is because this approach disadvantages provision with no or low fees (e.g. foundation education, wānanga, lower-level and lower-fee courses in polytechnics). This may lead to further cuts to provision and adversely impact the financial position of individual TEOs, many of whom are already forecasting deficits.<br>We consider that this risk is manageable in the short-term, but recommend it be considered as part of reviewing the balance of fees and subsidies through a tertiary education review (see agenda item 3) to support long-term sustainability.<br><table><tr><th>($ million)</th><th>Tertiary</th><th>Current package</th></tr><tr><td>Operating p.a.</td><td>42.961</td><td>8.626</td></tr></table>**2. Tertiary Education Volume Pressures – Funding Additional Demand (ID 17237)**<br>Ministers submitted a package to address the time-limited funding pressure and minimise the risk of learners being turned away.<br>You have indicated a preference for providing time-limited funding to meet 99% of forecast volume until the end of calendar year 2027.<br>MoE has noted that not increasing funding for volume from 2028 risks that providers will start turning learners away in 2027 (due to most learners enrolling for multi-year qualifications) to mitigate |

their risk exposure in the face of funding uncertainty for 2028. It will also likely result in a request for volume funding in Budget 2027 and beyond if there are no changes to system settings.

We note that volume funding has been provided on a time-limited basis since Budget 2020. We consider this risk is manageable in the short-term but recommend that time-limited volume funding at Budget 2026 be conditional on a more fundamental review of how tertiary education provision is funded (see agenda item 3).

| ($ million) | Tertiary | Current package |
|---|---|---|
| Operating p.a. | 146.844 | 80.912 |

***Agenda Item 3 – Tertiary education review (optional)***

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| **Description of key issue** | Government currently pays approximately 81% of the cost of tertiary education for domestic learners, taking into account direct subsidies via funding to TEOs, and indirect subsidies via student loans. The cost has increased over time as learner demand has increased, learner supports have been expanded, and enrolments have shifted to more expensive provision.<br><br>Without additional ongoing funding, system settings changes will be required to address long-term fiscal pressures in a sustainable way.<br><br>The Minister of Finance and Minister for Universities met on 10 March to discuss options for a review of tertiary education funding and system settings. |
| **Treasury recommended talking points** | *Tertiary education review*<br>• **Advise** Ministers that continuing to make marginal changes to the balance of learner fees and tuition subsidies will not meaningfully bend the cost curve for tertiary education.<br>• **Indicate** your broad support for [33] , and<br><br>EITHER<br>• **Discuss** your priorities for [33]<br><br>OR<br>• **Inform** Ministers that you will write to them about your priorities for a tertiary education review following the multilateral meeting. |
| **Treasury advice** | We understand tertiary Ministers are likely to [33] during the multilateral.<br><br>We further understand the Minister for Universities has discussed with you [33] |

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| | We have heard that you are interested in [33] We therefore recommend you give an early indication of expectations for a tertiary education review to tertiary Ministers.<br><br>We consider the proposed scope of the review by tertiary Ministers [33] to address the long-term fiscal pressures of the tertiary education system. We can provide you with further advice on the parameters for a tertiary funding review following the multilateral. |

## Annex 2 – Annotated Agenda that has been referred to the portfolio Minister

### *Agenda*

The proposed agenda for this meeting is set out below. Further details on each agenda item are set out in the tables below.

1. **Savings: Baseline Savings, Fees Free and Student Support**

2. **Cost Pressures: Volume and Price Funding**

3. **Tertiary education review (optional)**

### *Agenda Item 1 – Savings: Baseline Savings, Fees Free and Student Support*

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|---|---|
| **Description of key issue** | Ministers proposed baseline savings from the Ministry of Education (MoE) and Tertiary Education Commission (TEC) totalling $9.4 million per annum. [33]<br><br>Following initiative submissions, you invited a savings initiative to end Final-Year Fees Free (17356) and requested further advice on savings options [33] [T2025/3050 refers]. |

### *Agenda Item 2 – Cost Pressures: Volume and Price Funding*

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| **Description of key issue** | The tertiary education system prioritises universal access for all learners. Current baselines do not cover the expected volume of people seeking to enrol at tertiary providers. Without additional funding, TEC will not be able to fund all forecast volume and further cost-cutting measures by Tertiary Education Organisations (TEOs) may be needed.<br><br>Ministers submitted initiatives that total $189.8 million per annum. These include funding to meet 99% of demand over the forecast period (including equity funding) and a 10% uplift to Youth Guarantee funding and the TEC's Balance Sheet Mechanism (17237).<br><br>They also propose to increase revenue to TEOs by allowing an annual maximum fee movement (AMFM) of 6% and providing targeted cost adjustments to subsidies (17236). |

### *Agenda Item 3 – Tertiary education review (optional)*

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| **Description of key issue** | Government currently pays approximately 81% of the cost of tertiary education for domestic learners, taking into account direct subsidies via funding to TEOs, and indirect subsidies via student loans. The |

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|---|---|
| | cost has increased over time as learner demand has increased, learner supports have been expanded, and enrolments have shifted to more expensive provision.<br><br>Without additional ongoing funding, system settings changes will be required to address long-term fiscal pressures in a sustainable way.<br><br>The Minister of Finance and Minister for Universities met on 10 March to discuss options for a review of tertiary education funding and system settings. |

# Annex 3 – Treasury recommendations on Tertiary Education submission