The Treasury

Budget 2026 Information Release

September 2026

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[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

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[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

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TE TAI ŌHANGA
THE TREASURY

Treasury Report: Budget 2026 Bilateral on Health

Date:	5 March 2026	**Report No:**	T2026/411
		File Number:	

Action sought

	Action sought	Deadline
Hon Nicola Willis **Minister of Finance**	**Note** the contents of this report. **Indicate** if you would like any changes to what is in your Budget Ministers Health package. **Indicate** if you would like further advice on any of the initiatives.	Tuesday, 10 March 2026

Contact for telephone discussion (if required)

Name	Position		Telephone	1st Contact
Sophie Martin	Analyst, Health	[39]	[35]	✓
Jill Caughey	Acting Manager, Health			

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: Budget 2026 Bilateral on Health

Purpose

1. You are meeting with the Minister of Health, Hon. Simeon Brown, at 5pm on 10 March 2026 to discuss the Minister of Health's Budget 2026 package.

    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 – also been sent to the office of the Minister of Health and the Ministry of Health. **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** is a summary of Vote Health's Budget 2026 requests and Treasury's assessment. This annex has been shared with the Minister of Health, **without the Treasury assessments.**

    d. **Annex 4** provides you with back pocket information on data and digital capital-to-operating swaps as we understand Minister Brown may raise this.

2. Decisions taken at this meeting will be reflected in the next draft Budget Ministers material we are providing you on 20 March.

Recommended Action

We recommend that you:

a **Discuss** the contents of this report with Hon. Simeon Brown (Health) on 10 March 2026.

b **Note** Agenda Item 3 – *Budget 2026 Health Capital* has been shared with the Minister for Infrastructure.

c Agenda Item 1 - *Budget 2026 context for health*

i. **Note** that this is an opportunity to emphasise to the Minister of Health that you are considering all spending holistically, including both the costs of existing activity and new Budget initiatives.

ii. **Note** an accompanying Treasury Report provides advice on the implications of Health NZ's structural funding gap for Treasury's preliminary forecasts (refer T2026/385).

iii. **Note** the Ministry will provide advice to the Minister of Health by Friday 6 March on the explicit trade-offs Ministers can make to achieve $400m p.a. and $214m p.a. operating deficits in 2026/27.

iv. **Ask** the Minister of Health how you will get visibility of the trade-offs needed to close the Health NZ structural funding gap.

v. **Direct** the Minister of Health to commission the Ministry of Health (working with Health NZ and Treasury), to provide advice to Joint Ministers by 16 March on any Health NZ cashflow requirements.

d Agenda Item 2 - *Budget 2026 Health Operating Envelope*

i. **Note** the challenge of funding new initiatives in Health when Health NZ cannot cover the costs of its existing activity.

ii. **Note** Treasury concern about deliverability of Implementing the Pae Ora (Healthy Futures) (3-day stay) amendment bill and National bowel screening programme – Age extension.

iii. **Ask** the Minister of Health if these two initiatives can be deferred to Budget 2027.

iv. **Agree** to provide an exemption for Health NZ from capital charge for 2026/27.

e Agenda Item 3 - *Budget 2026 Health Capital*

i. **Note** the recurring delays for health infrastructure projects and emphasise the importance of ensuring the Budget 2026 health infrastructure package is deliverable.

ii. **Note** your current Budget Ministers package includes $756.4m in capital funding compared to Treasury's preferred package of $642.1m:

Type of proposal	**Funding sought**	**Current Budget Ministers' package**	**TSY preferred package**
Budget 2026 precommitments	$255.1m	$255.1m	$255.1m
Infrastructure investments	$665.6m	$378.1m	$387.0m
Capital associated with operating initiatives	$305.5m	$123.2m	-
Total	**$1,226.2m**	**$756.4m**	**$642.1m**

iii. **Agree** to increase your package by [33] and [37] for *Auckland Southern Site Acquisition for a Future Hospital* to reflect the latest costings.

iv. **Ask** the Minister of Health to liaise with the Minister of Education on strategic land acquisition in Auckland to ensure good value for money.

v. **Communicate** to the Minister of Health your intention to use tagged contingencies for health capital initiatives.

Jill Caughey
Acting Manager, Health

Hon Nicola Willis
Minister of Finance

Agenda Item 1 – Budget 2026 context for Health

Description of key issue	A significant Budget package has been submitted for Vote Health - $555.7m p.a. of new operating initiatives, exceeding the invited envelope of [37] and a total capital package of $971.1m. This is in addition to the existing $1.37bn p.a. cost pressure uplift and a Health NZ structural funding gap.
Treasury recommended talking points	**Note** that this is an opportunity to emphasise to the Minister of Health that you are considering all spending holistically, including both the costs of existing activity and new Budget initiatives. **Note** an accompanying Treasury Report provides advice on the implications of Health NZ's structural funding gap for Treasury's preliminary forecasts (refer T2026/385). **Note** the Ministry will provide advice to the Minister of Health by Friday 6 March on the explicit trade-offs Ministers can make to achieve $400m p.a. and $214m p.a. operating deficits in 2026/27. **Ask** the Minister of Health how you will get visibility of the trade-offs needed to close the Health NZ structural funding gap. **Direct** the Minister of Health to commission the Ministry of Health (working with Health NZ and Treasury), to provide advice to Joint Ministers by 16 March on any Health NZ cashflow requirements.
Treasury advice	Health NZ's latest budget material shows a significant structural funding gap in 2026/27 [37] and [38] **We expect the size of Health NZ's funding gap to reduce between Treasury's preliminary and final fiscal forecasts as Ministers make decisions about Health NZ delivery that allow it to reduce its forecast costs**. The Ministry advised Treasury on 4 March that its best professional judgement is a $200-$400m Health NZ deficit is achievable, **but this presumes Ministerial decisions and some unspecified operational choices to reduce costs.** From our discussions with the Ministry and Health NZ, officials are in agreement on Health NZ's costings and assumptions, with the key difference between the [37] and [38] . and the Ministry's $200-$400m p.a. being that the Treasury numbers do not reflect Ministerial decisions or operational choices yet to be taken. Between now and the finalisation of Treasury's final fiscal forecasts you and the Minister of Health will receive advice on options to close Health NZ's funding gap. The Ministry is providing advice to the Minister of Health by Friday 6 March on the explicit trade-offs the Minister can make to achieve: • a $400m operating deficit in 2026/27, or

	• a $214m operating deficit, which is "cashflow breakeven" (as $214m of costs are depreciation). Depending on the final Health NZ deficit position, some cashflow support for Health NZ is likely to be needed. The Ministry will provide the Minister of Health and yourself advice on any requirements by 16 March. This will enable it to be considered as part of your Budget Ministers 3 package, noting that Health NZ's cash needs will depend on Ministerial decisions about its 2026/27 budget.

Agenda Item 2 – Budget 2026 Health Operating Envelope

Description of key issue	This agenda item is for you to discuss what to prioritise within the [37] operating envelope.
Treasury recommended talking points	**Note** the challenge of funding new initiatives in Health when Health NZ cannot cover the costs of its existing activity. **Note** Treasury concern about deliverability of *Implementing the Pae Ora (Healthy Futures) (3-day stay) amendment bill* and *National bowel screening programme – Age extension*. **Ask** the Minister of Health if these two initiatives can be deferred to Budget 2027. **Agree** to provide an exemption for Health NZ from capital charge for 2026/27.
Key choice	The key choice for the [37] Vote Health operating envelope is the balance Ministers wish to strike between offsetting the Health NZ structural funding gap and funding new investments. **Table A: Summary of your current options for Budget 2026 operating package** **Package Options**[1] **Treasurys Recommended Package** Digital services – *cyber safety & core security services* ($6.4m p.a. opex) Cost pressure uplift for Health NZ – [37] **Current Package (as at BM1)** Digital services – *cyber safety & core security services* ($6.4m p.a. opex) Road Ambulance funding uplift – [38] Paediatric palliative care – *ensuring access to specialist services* ($3.9m p.a. opex) National bowel screening programme – *Age extension* [33] Implementing the Pae Ora – *(Healthy Futures) (3-day stay) amendment bill* ($7.7m p.a. opex and [33] (scaled 50%) Cost pressure uplift for Health NZ – [37]

[1] Package options including the savings initiative: Southern Health System Digital Transformation programme - return of depreciation funding ($4.6m p.a.).

Treasury Recommended Package	Our recommended approach is to fund the *Digital services – cyber safety – core security services* initiative given its urgent need, and to use the remainder of the envelope [37] to offset Health NZ's likely deficit (T2026/88 refers). This will partially offset any OBEGALx impact of Health NZ's forecast deficit position.
Alternative Package	An alternative approach is to fund a mix of new investments and cost pressures. We still recommend using the remainder of the envelope, after any new initiatives, to offset the Health NZ deficit. Refer Table A for the Health package you requested at Fiscal Matters on 16 February. If you were to fund these initiatives, you would have [37] remaining to use to offset Health NZ's deficit. We are supportive of *Road Ambulance funding uplift* and *Paediatric palliative care – ensuring access to specialist services* in your Budget package. These initiatives demonstrate compelling need, and we have greater confidence in delivery. We do not recommend supporting the *National bowel screening programme – Age extension* and *Implementing the Pae Ora (Healthy Futures) (3-day stay) amendment bill* because of delivery concerns and significant capital costs[2]: • Previous expansions of the National Bowel Screening Programme have led to repeated funding transfers, including at the 2026 March Baseline Update, due to challenges in achieving timely spend. Further planning and capacity building are required before committing additional investment to the programme. • Delivery of the Pae Ora (3-day stay) faces challenges due to significant capacity constraints in maternity services nationwide, including workforce shortages and limited inpatient capacity. If progressed, you could ask the Minister of Health to delay implementation and allow Health NZ the necessary time to prepare the system and address deliverability concerns.
Not in your current package	***Pharmac – Medicines budget uplift*** This is not in the current recommended package given several recent large increases to Pharmac's Combined Pharmaceutical Budget (CPB) and more pressing other Government priorities. We do recognise the benefit new medicines provide and if progressed, we recommend supporting a modest uplift ($36.2m p.a. as opposed to the requested $202m p.a.) and including it in the Health operating envelope to be traded off against other priorities. You have a bilateral with the Associate Minister of Health, Hon David Seymour, on 23 March where you can discuss options for Pharmac further. [33]

[2] $123.2m across the two initiatives.

	[33] Refer Annex 4 for a summary of Health's Budget 2026 requests and Treasury's assessments.
Capital Charge	*Capital charge – Increasing the contingency held for the health sector* was invited outside of the [37] operating envelope. Ahead of wider system level decisions, we recommend you provide an exemption for Health NZ from the capital charge for 2026/27. This echoes a similar in-principle decision for the School Property Agency to be set up later in 2026 [T2025/2950 refers] and aligns with the observation that the application of capital charge is not achieving its intended outcomes for capital-intensive Crown Entities. An exemption will remove the capital charge revenue paid to Health NZ from Vote Health in the 2026/27 Estimates. This will result in a reduction of approximately $500-700m from Health NZ's 2026/27 appropriations. Alternatively, you could manage these capital charge costs outside the operating allowance. This would require funding of approximately $100m for 2026/27 to meet the interim additional costs for the next financial year, ahead of wider system level decisions (upcoming T2026/302 refers).

Agenda Item 3 – Budget 2026 Health Capital

Description of key issue	The Minister of Health submitted $971.1m[3] in new capital, in addition to $255.1m in Budget 2026 pre-commitments.
Treasury recommended talking points	**Note** the recurring delays for health infrastructure projects and emphasise the importance of ensuring the Budget 2026 health infrastructure package is deliverable. **Note** your current Budget Ministers package includes $756.4m in capital funding compared to Treasury's preferred package of $642.1m:

[3] Since the Minister of Health submitted his package on 19 December 2025, the total quantum requested has increased by [33] and [37] (upward revision to Auckland Southern Land Site Acquisition and National Programme for Linear Accelerator Machines). These increases are currently reflected the Minister of Health's Capital Envelope submission above.

Type of proposal	Funding sought	Current Budget Ministers' package	TSY preferred package
Budget 2026 precommitments	$255.1m	$255.1m	$255.1m
Infrastructure investments	$665.6m	$378.1m	$387.0m
Capital associated with operating initiatives	$305.5m	$123.2m	-
Total	**$1,226.2m**	**$756.4m**	**$642.1m**

Agree to increase your package by [33] and [37] for *Auckland Southern Site Acquisition for a Future Hospital* to reflect the latest costings.

Ask the Minister of Health to liaise with the Minister of Education on strategic land acquisition in Auckland to ensure good value for money.

Communicate to the Minister of Health your intention to use tagged contingencies for health capital initiatives.

Treasury advice

Treasury advice on initiatives in your current Budget 2026 capital package

Your current Budget Ministers package includes:

- **$633.2m for infrastructure investments that Treasury supports**, made up of:
  - $378.1m of new funding, and
  - $255.1m in Budget 2026 capital pre-commitments
- **$123.2m of capital costs for capital costs associated with operating initiatives, that Treasury does not support** due to deliverability concerns. Made up of:
  - *Implementing the Pae Ora (Healthy Futures) (3 Day Postnatal Stay)* [33] and
  - *National Bowel Screening Programme age extension* [33]
- **Does not include the additional** [37] **required for Auckland Southern Site Acquisition for a Future Hospital.** Subject to your agreement, we will reflect this increase in the upcoming Budget Ministers package.

Given Health NZ's sizeable capital underspends and a large amount of funding remaining in tagged contingencies,[4] we have prioritised and scaled **new infrastructure** bids focusing on deliverability. Your current package includes funding for:

- *Project Pihi Kaha, Whangārei Hospital Redevelopment – First Ward Tower* [37] This funds a five-storey, 158-bed ward tower. We support funding the full amount sought.

[4] Capital underspends in year to December 2025 were $190m (actual $840 million against forecast of $1.03 billion). Funding remaining in tagged contingencies is [37] .

- *Mason Clinic Redevelopment Tranche 1C* [37] This has been scaled to reflect the minimum viable option and funds a new energy centre, parking, office fitouts, and ICT resilience. It does not fund the demolition of vacated buildings, relocation of underground services or additional temporary car parking.
- *National Remediation Programme – Tranche 2* [37] This has been scaled to the minimum option and funds 33% of the Minister of Health's preferred option. This funds the remediation of very high-risk assets only. Alongside Budget 2025 funding for the remediation programme, this would provide [37] in new Crown funding across 2025/26-2028/29. This is in addition to [33] in Health NZ depreciation funding allocated to this programme.
- *Auckland Southern Site Acquisition for a Future Hospital* [37] This purchases land in South Auckland for future construction of a new hospital, with remaining capital and operating costs being subject to future Budget decisions. Since this initiative was submitted total costs have increased by [37] . We recommend increasing the funding for this initiative in your package to reflect the latest costings.

  We note the Minister of Education is also seeking funding in the same area to acquire land for future schools. We recommend you ask the Minister of Health to liaise with the Minister of Education on this land acquisition to ensure good value for money.

Regional Hospital Redevelopment Programme Tranche 2 - Minimum Stage 1

This initiative is not in your draft package. It seeks [37] in new Crown funding for design and enabling works for the Regional Hospital Redevelopment Programme (RHRP) at Tauranga, Palmerston North and Hawke's Bay Hospitals.

We recommend deferring it to Budget 2027 on deliverability grounds. While this initiative is a key priority for the Minister of Health, we have concerns about Health NZ's ability to deliver this initiative alongside other capital projects, including three major hospital builds (New Dunedin, Whangārei and Nelson Hospitals) and approximately 1,000 active capital projects across New Zealand.

Use of tagged contingencies

As is standard practice, for all investments currently in the draft package, **we recommend funding is held in tagged contingencies** with drawdown subject to further details on the commercial, financial, and management cases, including financial analysis of the proposed deal with the preferred supplier(s), affordability, and delivery arrangements to manage project risks. In practice this will mean drawdown of funding at the point where Joint Ministers agree that Health NZ can enter into commercial contracts (known as Approval to Deliver).

We understand the Minister of Health may seek an exemption to the requirement for Cabinet approved business cases ahead of agreement to the Budget 2026 package. As a pragmatic solution, we are supportive of relaxing this requirement and for the Minister of

	Health to submit the business cases to Cabinet when these are off sufficient quality and detail.

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. **Agenda Item 1:** Budget 2026 context for Health
2. **Agenda Item 2:** Budget 2026 Health Operating Envelope
3. **Agenda Item 3:** Budget 2026 Health Capital

Agenda Item 1 – Budget 2026 Context for Health

Description of key issue	A significant Budget package has been submitted for Vote Health - $555.7m p.a. of new operating initiatives, exceeding the invited envelope of [37] and a total capital package of $971.1m. This is in addition to the existing $1.37bn p.a. cost pressure uplift and a Health NZ structural funding gap.

Agenda Item 2 – Budget 2026 Health Operating Envelope

Description of key issue	This agenda item is for you to discuss what to prioritise within the [37] operating envelope.

Agenda Item 3 – Budget 2026 Health Capital

Description of key issue	The Minister of Health submitted $971.1m[5] in new capital, in addition to $255.1m in Budget 2026 pre-commitments.

[5] Since the Minister of Health submitted his package on 19 December 2025, the total quantum requested has increased by [37] (upward revision to Auckland Southern Land Site Acquisition and National Programme for Linear Accelerator Machines). These increases are currently reflected the Minister of Health's Capital Envelope submission above.

Annex 3 – Summary of Vote Health's Budget 2026 requests and Treasury's assessment

Annex 4 – Data and Digital Capital-to-Operating Swaps

Talking Points:

- **Note** that you are open to the possibility of capital-to-operating swaps to facilitate more data and digital investment where this makes sense.
- **Remind** the Minister of Health that capital-to-operating swaps should clearly articulate the investment proposal, including the specific need it addresses and any trade-offs or impacts on Health NZ's capital pipeline.

Treasury Advice:

- Health NZ is trying to fund an ambitious digital programme while also attempting to reduce its deficit. As such, it has signalled that it would like to use significant capital-to-operating swaps to support delivery of its Digital Investment Plan.
- Treasury is yet to see specific proposals for what these swaps would buy beyond the high-level outline of the overall Digital Investment Plan.
- Treasury is open to these such swaps in principle, but notes that Health NZ is simultaneously seeking to deliver a large portfolio of capital projects. It will be important that the trade-offs involved in such swaps are clearly articulated to support effective prioritisation.
- The Minister of Health may express frustration at the long-standing 10:1 rule for capital-to-operating swaps set out in Cabinet Circular(18) 2, which requires them to be fiscally neutral over a ten-year horizon (i.e., one-off swaps are 1:1, but for ongoing funding $10 of capital can be exchanged for $1 of annual funding for a maximum of 10 years).
- This rule helps guard against unaffordable long-term expenditure creep, but Treasury is open to exceptions where spending is frontloaded, and ongoing operating costs are minimal. As they would not be considered fiscally neutral under Cabinet Circular (18) 2, any exceptions would need to be approved by Cabinet.

CFIS ID	Budget Track	Title	Description	Current status	Treasury comment	Dept. Submissions $(m)		Treasury recommended $(m)		Decision
						Operating $(m)	Capital $(m)	Operating $(m)	Capital $(m)	
17289	New Spending	Road Ambulance – funding uplift	This initiative provides funding for road ambulance services. It delivers an uplift in the Government contribution and provides funding to address growing demand pressures, including investment in key enablers. This includes enhancing [38] implementing a hub-and-spoke station model in Auckland by developing two hubs; deploying an electronic Patient Clinical Record (ePCR) system to streamline processes and improve integrated care; [38]	Included	**Defer**. However, if you wanted to fund a small package of new health initiatives, this would be a higher value and deliverable option. This is an unfunded coalition commitment. Growth in demand for road ambulances is exceeding their capacity to respond. In 2026, Health NZ and ACC will negotiate a new four-year contract with providers to deliver road ambulance services. This bid seeks funding to increase the government contribution to road ambulances, increase capacity in excess of demographic growth and fund specific new initiatives (including an electronic patient clinical record project and hub in Auckland). We recommend funding the scaled (low) option as this prioritises the areas of most critical need for the road ambulance sector (i.e. reducing the pressure on Auckland services).	[38]	-	-	-	
17349	New Spending	Implementing the Pae Ora (Healthy Futures) (3 Day Postnatal Stay) Amendment Bill	This initiative provides funding to implement the Pae Ora (Healthy Futures) (3 Day Postnatal Stay) Amendment Bill. The Bill will create a legal entitlement for all women to access a minimum 3-day (72-hour) postnatal stay in an inpatient care facility following delivery at or admission to such a facility. Funding is sought for capital investment (assuming public provision) and operating costs associated with delivering the additional days of inpatient postnatal care. Note women are currently able to access up to 2 days of inpatient postnatal care as set out in the National Service Specifications.	Included [Scaled 50%]	**Do not support.** We have significant concerns about the deliverability of this initiative. Midwifery workforce shortages are currently around 26 per cent nationally and maternity wards are already subject to high occupancy rates. If uptake is high, then this would require significant investment in infrastructure and workforce that likely exceeds the funding request they have submitted. As per your request, this initiative has been included in the draft Budget package, scaled to assume 50% uptake.	[33]		-	-	
17299	Cost Pressure	Digital services – cyber safety – core security services	This initiative provides funding to address Health NZ's "extreme" Cyber Security risk profile. This funding will keep security operational services at existing levels, improve our core capabilities and increase our security in critical systems to address new and emerging cyber security threats. The investment will: maintain Health NZ's current protections; provide for resources and specialist skills to address threats and vulnerabilities identified through the National Security Operations Centre (NSOC); and implement critical safeguard improvements highlighted during recent security incidents and audits.	Included [Scaled]	**Scale this initiative.** Maintaining the security of Health NZ's digital systems is essential to the continued function of our health system. The time-limited funding this seeks to extend (expiring at the end of 25/26) was intended to be used to sustainably develop Health NZ's cybersecurity capabilities and expertise, not create the expectation of further funding in perpetuity. Recommend providing one year of funding to allow Health NZ to maintain current settings while developing wider health sector target security architecture aligned with the digital government target state. This will also allow the exploration of alternative funding arrangements and clarification of the relationship this work has to the Health Digital Investment Plan.	153.600	-	25.500	-	

CFIS ID	Budget Track	Title	Description	Current status	Treasury comment	Dept. Submissions $(m)		Treasury recommended $(m)		Decision
						Operating $(m)	Capital $(m)	Operating $(m)	Capital $(m)	
17120	New Spending	Forensic mental health services – expanding access across the continuum	This initiative provides funding to improve access and mitigate statutory risks created by demand pressures on forensic mental health services [33] . It includes investment in additional inpatient bed capacity; prison in-reach and court liaison service FTEs to provide earlier support in prison and targeted support at the court level; step-down services [33] This will enable services to better meet increasing demand from the growing prison population and support their ability to meet statutory obligations by ensuring a [33] range of safe and secure services is available for those who need them.	Excluded	**Defer.** However, if you wanted to fund a small package of new health initiatives, this would be a higher value and deliverable option. Demand for existing Forensic Mental Health Services (FMHS) exceeds current capacity available within the system and this initiative would help manage the current statutory risk of not providing sufficient service levels. Delivery concerns related to recruitment to specialist workforces would need to be addressed. While the mental health ringfence is receiving funding as part of Health NZ's cost pressure uplift, as the entity remains in deficit, we think reprioritisation is unlikely to be viable. You may wish to discuss the trade-offs with the Minister of Health and the Minister for Mental Health.	[33]		-	-	
17283	Cost Pressure	KiwiSaver changes	This initiative funds increased costs from the KiwiSaver policy changes announced at Budget 2025. As a result of these changes, the default rate of employee and employer contributions for KiwiSaver will rise from 3 per cent of salary and wages to 4 per cent in two steps. From 1 April 2026, the rate will go to 3.5 per cent and, from 1 April 2028, it will go to 4 per cent. This initiative provides funding for the increase to 3.5 per cent from 1 April 2026. The preferred option addresses these costs for the funded sector commissioned to provide healthcare services by Health New Zealand. The Minister of Finance has indicated that Health is an envelope agency and therefore is able to apply for additional funding to cover the KiwiSaver changes within the envelope.	Excluded	**Do not support.** Health NZ has incorporated the cost of the KiwiSaver changes for their employed staff into its draft budget for 2026/27. We expect any KiwiSaver cost increases for the funded sector to be managed within Health NZ's cost pressure uplift, consistent with the approach taken in other Votes.	161.670	-	-	-	

CFIS ID	Budget Track	Title	Description	Current status	Treasury comment	Dept. Submissions $(m)		Treasury recommended $(m)		Decision
						Operating $(m)	Capital $(m)	Operating $(m)	Capital $(m)	
17064	New Spending	National Bowel Screening Programme age extension	This initiative funds lowering the NBSP eligibility age from 58 to 50 years. The NBSP provides free bowel screening every two years to asymptomatic people aged 60-74 (currently transitioning to 58). Funding covers core screening costs (Faecal Immunochemical Testing (FIT) kits, postage, follow up, lab analysis, promotion), training and workforce development, increased colonoscopy and pathology capacity, register for tracking participants, programme changes and project support for the age extension. It will also fund the nationwide expansion of FIT for Symptomatic testing by October 2026 which, alongside other components of the initiative, is key to managing the colonoscopy demand from bowel screening and potential impacts on wait times for urgent and non-urgent endoscopy referrals.	Included	**Defer.** The National Bowel Screening Programme (NBSP) was funded at Budget 2017 for people aged 60 - 74, and it received further funding at Budget 2022 to lower the starting screening age to 58. Implementation has been delayed, with the current roll-out due to be complete in March 2026. We do not consider Health NZ is ready to deliver a further expansion to this programme, particularly considering capacity constraints and requirements for significant outsourcing (which is time consuming and costly). Given the cost of this initiative and likely delivery challenges we recommend deferral until further planning and capacity expansion occurs.	[33]		-	-	

[33]

CFIS ID	Budget Track	Title	Description	Current status	Treasury comment	Dept. Submissions $(m)		Treasury recommended $(m)		Decision
						Operating $(m)	Capital $(m)	Operating $(m)	Capital $(m)	
17094	New Spending	Paediatric palliative care – ensuring access to specialist services	This initiative provides funding to develop a nationally coordinated and managed specialist paediatric palliative care (PPC) service for children and their whānau by establishing two multidisciplinary specialist PPC teams located within Health New Zealand's (Health NZ) Northern and Te Waipounamu regions. The two teams will enable equitable geographic access to PPC specialists and services, as the specialist PPC clinicians will collaborate with, educate, and support existing regional generalist PPC providers in the child's community to support them to provide PPC services that meet the palliative care needs of children. The initiative also provides funding to train one registrar per year in specialist PPC to support workforce sustainability.	Included	**Defer.** However, if you wanted to fund a small package of new health initiatives, this would be a higher value and deliverable option. There is currently only one Health NZ funded specialist Paediatric Palliative Care (PPC) physician, and demand significantly exceeds service capacity. This initiative seeks to provide consistent national access to specialist PPC through support and education for children's primary PPC teams (e.g. GPs, paediatricians). It also provides funding to train one registrar per year in specialist PPC to support workforce sustainability. There are some delivery challenges, including a reliance on international recruitment, resource constraints and an unfinalised delivery plan; however, the need is compelling.	15.511	-	-	-	
17114	Cost Pressure	Cost pressure uplift for Health New Zealand	This initiative provides an operating funding uplift for Health New Zealand (HNZ) to address changes in the drivers of healthcare demand. Increasing case complexity from multimorbidity, and technological advancements for treatment options and diagnostic capabilities are significantly raising the resource required to maintain timely access and quality of care, beyond what is already accounted for in the agreed cost pressure uplift. The initiative aims to support HNZ to meet rising complexity pressures in a fiscally responsible manner. Further work will be completed to determine the level of uplift required to address unavoidable cost growth while maintaining expectations for prioritisation and productivity improvements – this detail will be added in March.	Included	**Support.** While Health NZ is already receiving $1.37b in cost pressures for 2026/27, we consider it almost certain that the entity will run a deficit in 2026/27 (T2026/88 refers). Our first best, principled advice is consequently to fund the Cyber Security initiative (ID17299) given its urgent need, and to use the remainder of the Vote Health operating envelope to offset Health NZ's likely deficit (T2026/88 refers). If you wanted to fund additional new initiatives, we would still recommend using the remainder of the envelope to fund this cost pressure initiative.	To follow	-	[37]	-	
17280	Savings	Southern Health System Digital Transformation Programme – return of depreciation funding	This initiative returns depreciation funding, for 2025/26 only, due to the delay to the data and digital builds associated with the New Dunedin Hospital. The outpatients building is expected to be open in 2026/27. Therefore the depreciation funding allocated in the 2025/26 year is not required now and can be returned to the Crown.	Included	**Support.** This initiative returns depreciation funding for 2025/26 only, due to the delay to the data and digital builds associated with the New Dunedin Hospital. The outpatients building is expected to be open in 2026/27. Therefore, the depreciation funding previously allocated in the 2025/26 year is not required and can be returned to the Crown.	(18.535)	-	(18.535)	-	

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						Operating $(m)	Capital $(m)	Operating $(m)	Capital $(m)	
[33]										

CFIS ID	Budget Track	Title	Description	Current status	Treasury comment	Dept. Submissions $(m)		Treasury recommended $(m)		Decision
						Operating $(m)	Capital $(m)	Operating $(m)	Capital $(m)	
17294	New Spending	Health delivery contestable fund	The Health Delivery Contestable Fund would contribute to delivery of funding for innovative health delivery projects that aim to improve system performance and patient outcomes. It would support Health New Zealand and health sector partners to trial and scale solutions that progress health priorities e.g., lift productivity, expand service capacity, and reduce future demand. Funding would be allocated through competitive rounds, with priority given to initiatives that deliver measurable progress on specified outcomes. The fund may also support partnerships with private and philanthropic sectors, leveraging external expertise and resources to accelerate adoption and scaling of impactful innovations.	Excluded	**Do not support.** This contestable fund does not have defined eligibility, processes or deliverables. It is not clear what the funding will be purchasing. Its benefits and alignment to government priorities are therefore unclear. This initiative appears to essentially seek to bypass the standard Budget process for small discretionary Health initiatives.	40.000	-	-	-	

[33]

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						Operating $(m)	Capital $(m)	Operating $(m)	Capital $(m)	
17284	New Spending	Ministry of Health digital and information technology and capability rebuild	This initiative funds the Ministry of Health to rebuild and maintain its IT capability for core services like service desk, vendor management, governance, ICT infrastructure, networking, and key data systems. Shared services set up for Health NZ's establishment can no longer be delivered. In July 2022, the Ministry's data and digital functions moved to Health NZ, making the Ministry reliant on Health NZ for ICT and regulatory services. Health NZ's priorities mean it cannot provide shared services, leaving the Ministry unable to manage ICT needs or modernize systems without reinstating roles and funding.	Excluded	**Do not support.** While submitted as a new policy, it appears to be a cost pressure to reinstate FTE previously reduced through the transfer of IT responsibilities (and associated FTE) to Health NZ in 2022. At Budget 2025 the Ministry of Health submitted a similar bid, at which time you directed them to meet the costs of these activities from baselines. The funding is primarily for 19 FTE, with the remainder to update Office subscriptions. We recommend the Ministry is directed to manage these costs within baselines.	24.000	-	-	-	
17301	New Spending	Pharmac – Medicines budget uplift	This initiative provides funding to uplift the Medicines Budget (National Pharmaceutical Purchasing Appropriation) to enable Pharmac to fund new medicines or widen access to medicines including blood cancer medicines and medicines that would provide health system and wider societal benefits. This also proposes an uplift to Pharmac's operational budget for increased capability to redefine its operating model, organisational culture, and support innovative ways to measure benefit realisation of investment to save opportunities into the future. This initiative is also seeking funding for Health NZ to deliver the potential medicines funded in proportion with the Medicines Budget uplift.	Excluded	**Defer** given several recent large increases to Pharmac's Combined Pharmaceutical Budget (CPB) and more pressing other Government priorities. The CPB has increased from $1.085b in 2021/22 to $1.76b in 2025/26 (excluding time-limited COVID-19 funding). Deferring will give health entities more time to progress their work programme to identify medicines and technologies that can deliver cost savings or cost avoidance opportunities, service improvements, and future reductions in demand for the health system. We do recognise the benefit new medicines provide and if progressed, we recommend supporting a modest uplift ($144.7m total as opposed to the requested $807.8m). This would fund treatments for 7 patient groups, including 2 blood cancer treatments.	807.800	-	-	-	
17291	Cost Pressure	Capital charge – Increasing the contingency held for the health sector	This initiative provides funding to meet increases in the cost of capital charge to Health sector entities where the increase in capital charge has been driven through Crown equity investments to fund capital assets or Holidays Act 2003 remediation funding.	Excluded	**Do not support.** You should receive system-wide capital charge advice from Treasury before final Budget 2026 decisions. We recommend you exempt Health NZ from capital charge for 2026/27, ahead of potential broader system wide changes at Budget 2027. Alternatively, you could fund $100 million in one-off funding for 2026/27 only and defer further costs to Budget 2027. This allows for Health NZ to meet its capital charge costs in 2026/27. If you decide to maintain the current capital charge system, we recommend you fund the scaled ongoing option of $864.787 million, noting further funding will likely be required at Budget 2027 or 2028.	1,010.800	-	-	-	

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						Operating $(m)	Capital $(m)	Operating $(m)	Capital $(m)	
17312	New Spending	Pharmac – Funding pharmaceuticals to achieve tangible savings to the health system or avoid future cost pressures	This initiative is intended to fund pharmaceuticals to achieve tangible savings to the health system or avoid future cost pressures. Officials are providing advice to Ministers outlining the cross agency work programme we have underway to identify pharmaceutical investments that are cost-neutral or cost-saving for the health system. Officials will also provide an update early next year which will cover progress in the work programme and alert Ministers to any promising health system efficiency opportunities from investing in medicines, together with timeframes for their further development.	Excluded	**Defer.** We are supportive of the Ministry of Health, Pharmac and Health NZ's collaboration to identify medicines and technologies that can deliver cost savings or cost avoidance opportunities, service improvements, and future reductions in demand for the health system. However, this work is ongoing, with advice due to Ministers in March. Deferral will allow the entities more time to undertake this work. Delivery of any intended benefits in the immediate term will require additional funding for the Combined Pharmaceutical Budget (CPB) and this is why the Minister of Health has submitted a corresponding Pharmac CPB uplift bid.	-	-	-	-	
[33]										
17293	Capital Investment	Project Pihi Kaha, Whangārei Hospital Redevelopment – First Ward Tower	This initiative provides Crown funding to deliver, in late 2031, a five-story, 158-bed ward tower adjoining the already-approved acute services building at Whangārei Hospital. This is the second stage of Project Pihi Kaha, the Whangārei Hospital Redevelopment. Funding was provided in 2022 for Acute Services Building, which is now progressing through design towards construction. Funding for the delivery of the ward tower – this initiative – will allow the construction of both buildings concurrently.	Included	**Support.** Whangarei Hospital urgently requires ongoing investment to address capacity constraints and make facilities fit for purpose. In November 2022, Cabinet approved Stage One to deliver the Acute Services Building (ASB). This initiative funds the second stage, which will deliver a five-storey, 158-bed ward tower adjoining ASB. It will include an acute assessment unit, four surgical wards, and enables hospital remediation and piling for a future second tower. Health NZ has faced challenges in delivering the ASB on time and now plans concurrent construction of the ward tower and ASB, with completion of both investments planned for 2031/32. Given deliverability challenges, we recommend funding is held in a tagged contingency.	[37]				

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						Operating $(m)	Capital $(m)	Operating $(m)	Capital $(m)	
17345	Capital Investment	Regional Hospital Redevelopment Programme Tranche 2 - Minimum Stage 1	This initiative seeks Crown funding for the first stage of Tranche 2 of the Regional Hospital Redevelopment Programme (RHRP) for Tauranga, Palmerston North and Hawke's Bay Hospitals. It covers design and some enabling works that can be completed in 2026/27 and 2027/28. The initiative provides the platform for the next stage of these redevelopments, subject to future funding decisions.	Excluded	**Defer**. The Regional Hospital Redevelopment Programme Tranche 2 is a key Government priority, addressing critical health infrastructure needs in Hawke's Bay, Tauranga, and Palmerston North. Due to affordability constraints and competing capital priorities, we recommend deferring. This initiative funds Stage 1, covering design and enabling works, and marks a positive shift from the previous fragmented approach to hospital builds. However, the programme is costly, with total indicative costs of [37] , and creates pre-commitments against future budgets. Funding Stage 1 effectively commits to Stage 2 [37] with limited offramps until Stage 3 [37] Health NZ should instead focus on prioritising its existing infrastructure investments and delivery.	[37]				
17133	Capital Investment	Auckland Southern Site Acquisition for a Future Hospital	This initiative provides Crown funding for a land purchase in the south of Auckland for future construction of a new major acute hospital to meet the clinical needs for more healthcare services in South Auckland and North Waikato. The planning and building of the new hospital is set out in the Health Infrastructure Plan to commence in the period from 2030 to 2035 and will be subject to future funding initiatives.	Included	**Support**. This is a necessary step towards building a South Auckland hospital, which was approved in principle by Cabinet as part of the Health Infrastructure Plan and announced publicly by the Minister of Health in 2025. Early land acquisition is critical to secures suitable locations and manages the risk of land cost escalation. However, Health NZ is behind on delivery of its current slate of capital projects and Ministers have expressed a preference for Capital projects that can begin moving towards completion immediately. As land can be purchased later (albeit almost certainly at a higher cost), this could be deferred if Ministers consider other projects higher priority.					
17300	Capital Investment	National Remediation Programme – Tranche 2	This initiative provides funding for tranche 2 of the National Remediation Programmes (NRP). The NRP will be a rolling programme of low complexity, like-for-like replacements/renewals to address risks to safety of staff and patients and to clinical service delivery arising from risks of asset failures at health facilities. This tranche builds on the establishment of the programmes funded in Budget 2025 and focused on strengthening essential infrastructure and reducing the risk of disruption to clinical services. Health NZ intends to fund the highest risk issues out of depreciation, but very high-risk assets require Crown funding for resolution.	Included [Scaled]	**Support.** This initiative builds on Tranche 1 of the National Remediation Programme funded in the last Budget. It focuses on strengthening essential infrastructure and mitigating risks to clinical services caused by ageing and failing high-risk health assets. While Health NZ receives funding for depreciation, this has often been redirected to fund services instead of infrastructure. To ensure effective delivery, we expect a clear plan outlining deliverability and management of high-risk projects not covered by this funding as part of the upcoming Business Case. We recommend holding funding in a tagged contingency.					

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						Operating $(m)	Capital $(m)	Operating $(m)	Capital $(m)	
17285	Capital Investment	Mason Clinic Redevelopment Tranche 1C	This initiative provides Crown funding to address infrastructure issues at Mason Clinic to stabilise the existing campus and enable future stages of development that will expand inpatient capacity at the clinic to meet demand. The Mason Clinic is a secure mental health inpatient campus in Point Chevalier, Auckland that provides inpatient regional forensic mental health services and supra-regional forensic intellectual disability services. The initiative funds additional energy centre capacity, builds new and reconfigures existing underground infrastructure, increases carparking capacity, demolishes vacated leaking buildings, and fits out shelled office space in a new building.	Included [Scaled]	**Scale this initiative** (to option 2, the MVO). This initiative addresses urgent infrastructure issues at Mason Clinic, a secure forensic mental health facility in Auckland. It builds on the 2019 programme to improve capacity and capability and will support future growth (future tranches of investment signalled). The MVO [37] funds a new energy centre, parking, office fitouts, and ICT resilience. Without investment in electrical capacity, Health NZ has advised of potential electrical system failure, which may disrupt clinical services and create security risks. Construction is set to begin in November 2027 and finish by late 2029. Components not in the MVO can be considered in later Budgets. We recommend funding is held in a tagged contingency.	[37]				
17346	Capital Investment	National Programme for Linear Accelerator Machines (LINACs)	This initiative provides funding to extend the network of Linear Accelerator machines (LINACs) to meet current and increasing demands for radiation therapy treatment. The investment will lift intervention rates and contribute to health targets.	Excluded	**Do not support.** While expanding New Zealand's LINAC capacity will improve health outcomes, the agency's preferred option only seeks capital funding for "design and planning" to enable a 2027 budget bid to deliver LINAC facilities. This is not an appropriate use of capital funding and planning activity should be funded within baselines.	-	15.000	-	-	
CAB-25-MIN-0182.01	Budget 2026 Capital Pre-commitment	New Medical School: Detailed Business Case - Establishment Costs for the Waikato Medical School	New Crown capital funding for the establishment costs of the new medical school at the University of Waikato.	Included	Already in package.	-	80.850	-	80.850	
CAB-25-MIN-0309	Budget 2026 Capital Pre-commitment	Approval of the New Dunedin Hospital Inpatient Building Project Implementation Business Case	New Crown capital funding for the New Dunedin Hospital Inpatient Building project.	Included	Already in package.	-	174.284	-	174.284	
					Total	3,233.675	1,226.193	[37]	642.159	