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

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[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 Bilateral on Hon Seymour's Portfolios (Education and Health)

Date:	19 March 2026	**Report No:**	T2026/542
		File Number:	SH-4-0-M135055

Action sought

	Action sought	Deadline
Hon Nicola Willis **Minister of Finance**	**Discuss** this report with the Associate Minister of Education and of Health (Hon David Seymour) at the bilateral meeting on his portfolios.	Review ahead of meeting at 3pm on Monday 23 March.

Contact for telephone discussion (if required)

Name	Position		Telephone	1st Contact
Lexie Preen	Graduate Analyst, Social Sector, Communities and Learning	[39]	[35]	✓
Mark Hodge	Unit Manager, Social Sector, Communities and Learning			
Lydia Verschaffelt	Senior Analyst, Health			✓
Jill Caughey	Manager, Health			

Minister's Office actions (if required)

Return the signed report to Treasury.

Forward the relevant annotated agenda to the Associate Minister of Education's office.

Note any feedback on the quality of the report	

Enclosure: Yes – Annex 3

Treasury Report: Budget 2026 Bilateral on Hon Seymour's Portfolios

Purpose

1. You are meeting with the Associate Minister of Education and of Health, Hon David Seymour, at 3pm on Monday 23 March to discuss his Budget 2026 initiatives for his Education and Health portfolios.

   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 the portfolio Minister 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 portfolio Minister and his agency. **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 to you ahead of Budget Ministers 3 on 9 April 2026.

Recommended Action

We recommend that you:

a **discuss** the contents of this report with Hon David Seymour on Monday 23 March;

Education Portfolio

b **agree** to fund the continuation of the Healthy School Lunches programme for the 2027 calendar year;

Agree / disagree

c **agree** to defer funding for the innovative pilots and trials component of the Healthy School Lunches programme, until a long-term decision about the Programme's future has been made;

Agree / disagree

d **agree** to fund a [33] cost adjustment for early childhood education (ECE) subsidies;

Agree / disagree

e **discuss** with the Associate Minister of Education how the ECE funding review could inform savings options for future Budgets;

f **discuss** with the Associate Minister of Education options to provide [37]

If raised by the Associate Minister of Education:

g agree to [33]

Agree / disagree

Pharmac Portfolio

h **note** the previous significant funding increases to Pharmac's Combined Pharmaceutical Budget (CPB);

i **agree** to defer CPB funding to a future Budget.

Agree / disagree

Mark Hodge
Unit Manager, Social Sector, Communities and Learning

Hon Nicola Willis
Minister of Finance

Annex 1 – Agenda and Supporting Advice

Agenda Item 1 – Healthy School Lunches (ID: 17324)

Description of key issue	• The Associate Minister of Education has requested $53.1 million average operating per annum and $0.9 million capital funding for the continuation of the Healthy School Lunches programme ('the Programme') for the 2027 calendar year (ID: 17324). • This includes $0.73 million average operating per annum for pilots and trials to improve delivery.
Treasury recommended talking points	• **Agree** to fund the continuation of the Healthy School Lunches programme for the 2027 calendar year. • **Agree** to defer funding for the innovative pilots and trials component of the Healthy School Lunches programme, until a long-term decision about the Programme's future has been made.
Treasury advice	**We recommend a slightly scaled option to fund the Programme.** • There is a clear case for the Programme's continuation to mitigate the impact of food insecurity in schools.[1] • The Associate Minister of Education's request for time-limited funding for the 2027 calendar year aligns with Cabinet's recent decisions (CAB-25-MIN-0361.01). • We recommend funding the Programme for the 2027 calendar year, but defer funding for innovation pilots, trials and evaluations. We consider funding for this component should be deferred until a long-term decision on the Programme's future is made as part of the Associate Minister of Education's report back to Cabinet before the end of the year. **Social Investment Agency Commentary:** • To date, the monitoring and evaluation approach for the Programme has largely focused on refining the current delivery model. Process outcome measures include delivery in full and on time (DIFOT), surplus or untouched lunches and an estimated uptake of lunches. • In October 2025, Cabinet redefined the main objective of the programme to focus on mitigating the impact of food insecurity in schools. The Ministry is currently working to determine how to report back on this objective. • SIA believe the process-focused approach taken by the Ministry to-date has been the correct one, to ensure the programme is operating as intended. As a next step, the Ministry may wish to prioritise development of an evaluation plan to assess the success of the programme in meeting its new objective of addressing food insecurity. As part of this plan and to align with social investment practice, the Ministry could develop a theory of change model for the redesigned initiative. SIA will be happy to advise and support the Ministry in this work.

1 Approximately one in five children live in households where food runs out "often or sometimes", according to the Ministry of Health's 2024/25 New Zealand Health Survey.

__Agenda Item 2 – Early Childhood Education (ECE)__

Description of key issue	• The Associate Minister of Education has requested [33] average operating per annum for a [33] cost adjustment for ECE subsidies (ID: 17340). • The Associate Minister of Education has proposed reprioritising a one-off [37] total operating to fund [37] *If raised by the Associate Minister of Education:* • At Budget Ministers 1, the Associate Minister of Education raised [33]
Treasury recommended talking points	• **Agree** to fund a [33] cost adjustment for ECE subsidies. • **Discuss** with the Associate Minister of Education how the ECE funding review could inform savings options for future Budgets. • **Discuss** with the Associate Minister of Education options to provide [37] *If raised by the Associate Minister of Education:* • **Agree** to [33]
Treasury advice	**We recommend funding a [33] cost adjustment for ECE subsidies.** • The Associate Minister of Education's request aligns with what was invited, being an uplift no higher than forecast CPI. • Funding this cost adjustment helps maintain the value of ECE subsidies. Not maintaining the value of ECE subsidies risks prompting services to increase the fees paid by parents to support service viability. • While data is not gathered on the fees paid by parents (and so the current value of subsidies is uncertain), we recommend maintaining current subsidies until the ECE funding review provides recommendations on how to improve our understanding of the current funding system. [37] • The Associate Minister of Education's proposal aligns with a recent Social Outcomes Committee's steer (SOU-26-MIN-0006). • We do not recommend funding [37]

	[37] • We recommend supporting the reprioritisation of underspends from Targeted Assistance for Participation (TAP) to offset the broader Budget 2026 package. • If providing [37] is a Ministerial priority, we recommend offsetting this new spend by reprioritising underspends from TAP. Funding should be placed in a tagged contingency conditional on [37] ***If raised by the Associate Minister of Education:*** **We recommend you request the Associate Minister of Education explores savings options within ECE baselines, [33] for a future Budget.** • [33] • • There is an opportunity to revisit the prospect of savings from ECE baselines for future Budgets. The ECE funding review will inform “next steps” for the Associate Minister of Education in December 2026. We recommend requesting the Associate Minister of Education explores savings options, which could [33] as part of his next steps for consideration at a future Budget.

Agenda Item 3 – Pharmac

Description of key issue	This agenda item is to confirm your approach to Pharmac funding at Budget 2026.
Treasury recommended talking points	• **Note** the previous significant funding increases to Pharmac’s Combined Pharmaceutical Budget (CPB). • **Agree** to defer CPB funding to a future Budget.
Treasury advice	**Pharmac CPB funding** • At the Health Bilateral on 10 March, you and the Minister of Health agreed not to include funding for the CPB in the Budget 2026 package given recent significant Pharmac

	funding increases and difficult trade-offs this Budget.[2] It will be helpful to confirm this decision with the Associate Minister of Health (Pharmac). • [33] and [37] **Pharmac savings** • You recently received the Ministry of Health, Health NZ, and Pharmac's advice on their work to identify health system cost savings from pharmaceutical investments (H2026077324). • While this did not result in tangible savings for this Budget, the programme has been constructive. It has fostered a more coordinated approach between the entities for targeted projects, [33] and [37] and possible longer term pharmaceutical funding and savings options. • Pharmac also continues to ensure that cost-savings or cost-neutral options can be advanced where possible and funds treatments that create efficiencies in the health system as part of its BAU funding model.

[2] The CPB received a total $1.774 billion increase from the Budget 2024 operating allowance and $604 million from Budget 2025.

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:** Healthy School Lunches
2. **Agenda Item 2:** Early Childhood Education (ECE)
3. **Agenda Item 3:** Pharmac

Agenda Item 1 – Healthy School Lunches

Description of key issue	• The Associate Minister of Education has requested $53.1 million average operating per annum and $0.9 million capital funding for the continuation of the Healthy School Lunches programme ('the Programme') for the 2027 calendar year. • This includes $0.73 million average operating per annum for pilots and trials to improve delivery.

Agenda Item 2 – Early Childhood Education (ECE)

Description of key issue	• The Associate Minister of Education has requested $54.9 million average operating per annum for a [33] cost adjustment for ECE subsidies (ID: 17340). • The Associate Minister of Education has proposed reprioritising a one-off $3 million total operating [37]

Agenda Item 3 – Pharmac

Description of key issue	• This agenda item is to confirm your approach to Pharmac funding at Budget 2026.

Annex 3 – Current Budget 2026 package for the Associate Minister of Education and of Health

See attached.

Budget 2026 - Package as at 18 March 2026 (Hon Seymour)

Note

1. Some initiatives have significant out year components. This alters the way operating averages are calculated and may result in misalignment between Total Opex and Opex P.A. in the Treasury Package.
2. This annex aligns to the 'low' package set out in the Budget Ministers slides
3. Treasury's VAD framework quantifies the value (weighted through benefits and costs), alignment to Government Budget 2025 priorities, and delivery feasability of an initiative, rated from 1 (low) to 4 (high).

							Dept. Submissions $(m)			Current Package $(m)			Value for Money Values		
Vote	ID	Budget Track	Title	Description	Current Status	Treasury Recommendation and Commentary	Total Opex	Opex P.A.	Total Capex	Total Opex	Opex P.A.	Total Capex	V	A	D
Education	17324	Service Or Policy Cost Escalation	Healthy School Lunches Programme	This initiative provides funding to allow for the continuation of the Healthy Schools Lunches and the Early Learning Food programmes in 2027. Current funding ends in December 2026. These programmes currently provide lunches for approximately 242,000 students in 1,015 schools and Kura, and food to 8,710 children in 327 Early Learning services and Kōhanga Reo across New Zealand. It also includes funding for a 3% increase to meet inflationary cost pressures such as food prices, transport and staffing costs, which impact on the cost of delivering these programmes. The initiative also provides some funding for innovation, evaluation and capital purchases to improve the implementation of the programmes.	Included	We recommend scaling this initiative, which will continue the Healthy School Lunches and Early Learning Food programmes for the 2027 calendar year. We also support providing a 3% cost uplift to address inflationary pressures (given recent above-CPI inflation in food prices) and a small capital component for replacing equipment but no additional funding for innovation and evaluation (as these costs can be deferred). Providing food to students in low socio-economic communities helps to mitigate children's hunger, although the secondary effects (e.g. attendance and educational achievement) are modest at best. If the programme is to continue permanently, ongoing funding should be considered, and the Government could consider targeting support further to mitigate the cost.	212.4	53.1	0.9	209.5	52.4	0.9	3	3	3
	17340	Service Or Policy Cost Escalation	Early Childhood Education Cost Adjustment	This initiative provides funding for a cost adjustment of [33] to a mix of full and partial early learning subsidy rates from 1 July 2026. This will support ECE services to manage a growing range of cost pressures and the increasing cost of provision, while helping maintain quality and affordable early learning. A partial adjustment of 0.64% to the kindergarten subsidy rates accounts for the distinct funding rate increases that kindergartens receive for their staffing costs related to the Kindergarten Teachers Collective Agreement (KTCA). This level of cost adjustment is the preferred option, taking into account the impact on affordability and access to ECE, implementation readiness, and alignment with Government and Ministerial priorities (particularly the ECE Funding Review).	Included	We recommend supporting this initiative, which provides a [33] cost uplift to Early Childhood Education (ECE) subsidies from 1 July 2026 onwards to partly offset wage growth and inflationary pressures. It includes a 0.64% uplift for kindergartens, reflecting non-salary costs only, as their salary costs are managed separately. A lower cost adjustment would likely result in families paying higher fees (creating financial hardship in some cases) and reduced participation in ECE. It is worth noting that similar initiatives in previous years have been scaled. However, as an ECE Funding Review is currently underway (expected to report back in September 2026), we do not recommend more substantive changes or scaling at this stage.	[33]					-	3	3	3
	[37]														
	17524	Service Or Policy Savings	Targeted Assistance for Participation Reprioritisation of Underspend	This initiative reprioritises underspends in Targeted Assistance for Participation (TAP) in 2025/26 to other education priorities. These underspends have occurred due to the pausing of TAP funding resulting from the Ministerial Advisory Group's review of ECE funding, which gives the opportunity of funding to be reallocated to other education priorities.	Included	We recommend supporting this savings initiative that reprioritises funding from Targeted Assistance for Participation (TAP). TAP is a property assistance grant that contributes to the building of new or expanded early childhood education (ECE) services. The savings comes from an underspend in the current financial year, emerging due to lower-than-expected demand for TAP, and so we consider the savings to be achievable and present no material risks. If the forecast underspend does not eventuate, we consider the Ministry of Education able to recoup funding for TAP from elsewhere in ECE baselines.	(3.0)	(0.8)	-	(3.0)	(0.8)	-	4	4	3

Vote	ID	Budget Track	Title	Description	Current Status	Treasury Recommendation and Commentary	Dept. Submissions $(m) Total Opex	Opex P.A.	Total Capex	Current Package $(m) Total Opex	Opex P.A.	Total Capex	Value for Money Values V	A	D
Health	17301	New Service Or Policy	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	We recommend deferring this initiative given several recent large increases to Pharmac's Combined Pharmaceutical Budget (CPB) and more pressing other Government priorities. The CPB has increased from $1.040 in 2019/20 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). [33]	807.8	202.0	-	-	-	-	3	4	3
	17312	New Service Or Policy	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	We recommend deferring this initiative. 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.	-	-	-	-	-	-	2	3	1