The Treasury

Budget 2026 Information Release

September 2026

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[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

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TE TAI ŌHANGA
THE TREASURY

Treasury Report: Budget 2026: Second Bilateral Briefing on the Revised Education Package

Date:	31 March 2026	**Report No:**	T2026/586
		File Number:	SH-4-0-M136376

Action sought

	Action sought	Deadline
Hon Nicola Willis **Minister of Finance**	**Discuss** the contents of this report with the Minister of Education at the second Education Bilateral Meeting.	Review ahead of meeting at 6pm on Wednesday 1 April.

Contact for telephone discussion (if required)

Name	Position	Telephone		1st Contact
Lexie Preen	Graduate Analyst, Social Sector Communities and Learning	[39]	N/A (mob)	✓
Mark Hodge	Unit Manager, Social Sector Communities and Learning	[35]	N/A (mob)	

Minister's Office actions (if required)

Return the signed report to Treasury.

Forward the relevant annotated agenda to the Minister of Education's office, and Agenda Item 4 of the relevant annotated agenda to the Minister for Infrastructure's office.

Note any feedback on the quality of the report	

Enclosure: No.

Treasury Report: Budget 2026: Second Bilateral Briefing on the Revised Education Package

Purpose

a You are meeting with the Minister of Education, Hon Erica Stanford, at 6.00pm on Wednesday 1 April to discuss her revised Budget 2026 capital and operating packages for Education.

i **Annex 1** provides you with a proposed annotated 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.**

ii **Annex 2** is the official meeting agenda that has – with your office's approval – also been sent to the office of the portfolio Minister and their 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.**

Recommended Action

We recommend that you:

a **Note** that at your bilateral meeting with the Minister of Education on Thursday 12 March, you requested the Minister submit two revised operating packages and three revised capital packages;

b **Note** that the Minister of Education has now provided you with her revised packages for consideration at the second bilateral discussion;

c **Discuss** the contents of this report with the Minister of Education at the second bilateral discussion on Wednesday 1 April;

d **Note** Agenda Item 4 '*New Spending in the Revised Package: School Property'* has been shared with the Minister for Infrastructure.

e **Indicate** your preferred Education operating package, subject to any changes you make in the below recommendations:

i. Package A of [38] operating average per annum; or

Yes / No

ii. Package B of [38] operating average per annum.

Yes / No

Fuel Price Considerations

f **Ask** the Minister of Education if she is reconsidering the Education package to account for fuel price pressures.

g **Agree** with the Minister of Education to progress one of the following options to respond to fuel price pressures:

i. Provision no additional funding, noting increased costs for school transport services directly flow to OBEGALx (Treasury recommended); or

Agree / disagree

ii. Progress a revised package A or B that scales new spending to fund fuel price pressures; or

Agree / disagree

iii. Progress package A or B and provision the remaining envelope funding for fuel price pressures.

Agree / disagree

h **Note** that school transport services are the education service most susceptible to changes in fuel prices and these costs flow directly to OBEGALx; however, given the uncertainty of how long elevated fuel prices will last, the quantum of the forecast adjustment for school transport services and the corresponding impact on OBEGALx at the Pre-Election Economic and Fiscal Update is unclear.

Reprioritisation Options for the Revised Package

i **Agree** with the Minister of Education <u>to not reprioritise</u> [38]

and instead have unspent funding be returned to the centre [38]

Agree / disagree

j **Agree** with the Minister of Education to reprioritise [33]

Agree / disagree

k **Discuss** with the Minister of Education the certainty of an identified potential underspend of [38] being returned to the centre after Budget 2026 and the suitability of using this to offset cost pressures.

New Spending in the Revised Package: Primary Education

l **Discuss** with the Minister of Education how investment into primary education (ID 17347) can be scaled.

m **Agree** to scale investment in primary education (ID 17347) to $12.5 million operating average per annum.

Agree / disagree

New Spending in the Revised Package: School Property

n **Indicate** your preferred Education capital package:

i. [33]

Yes / No

ii.

Yes / No

iii.

Yes / No

o **Request** the Minister of Education allocates any additional funding provisioned for maintaining the school property portfolio towards the redevelopment pipeline and meet other maintenance pressures from within existing baselines.

Mark Hodge
Unit Manager, Social Sector, Communities and Learning

Hon Nicola Willis
Minister of Finance

(Not for sharing with portfolio Ministers) – Budget 2026 Revised Education Packages Totals

Operating packages

This report advises you on the Minister of Education's revised operating and capital packages for Budget 2026.

- **The Minister of Education originally submitted a package of [38] within an envelope of [38] additional operating average per annum.**
- In line with your requests made at the first bilateral discussion, the Minister of Education has since submitted two revised net packages of [38] ('package A') and [38] ('package B') operating average per annum.
- Package B has higher gross new spending, but this spending is offset by the higher level of saving, making package B's net spending $7.1 million less than package A.
- This report recommends you initially progress with package B of [38] operating average per annum but make some changes outlined in agenda items 2 and 3 below.

	Package A ($m average operating per annum)	Package B ($m average operating per annum)	Difference between Package A and B
Gross spending	265.345	270.189	4.844
Gross saving	[38]		
Net totals			

Capital packages

- The Minister of Education has submitted three revised capital packages in line with your requests made at the first bilateral discussion. These packages are a full package of [37] total capital, a medium package of [37] total capital, and a low package of [37] total capital.
- The three packages present different options on the level of maintenance and growth funding by purchasing the same components at differing levels. For example, the low package would purchase 178 teaching spaces, the medium package 223 teaching spaces, and the full package 284 teaching spaces.
- We recommend you initially progress with the ~$300 million total capital package but make some changes to relative prioritisation of maintenance and growth in line with Treasury's recommended approach outlined in agenda item 4 below.

($m)	'Full' Package	'Medium' Package	'Low' Package
Net Capex	[37]		

Agenda Item 1 – Fuel Price Considerations

<table>
<tr><td>Description of key issue</td><td>Recent fuel price increases may be generating cost pressures in Education. The Minister of Education may wish to revise the package considering these fuel price pressures.
At Budget Ministers 2, you indicated that you may discuss with the Minister of Education reducing the uplift for schools' operational grants from a 2% uplift to 1.5%.
School transport services are the costs most susceptible to changes in fuel prices and cost increases are funded through forecast adjustments in the baseline update process. These costs flow directly to OBEGALx.</td></tr>
<tr><td>Treasury recommended talking points</td><td>Ask the Minister of Education if she is reconsidering the Education package to account for fuel price pressures.
Agree with the Minister of Education to progress one of the following options to respond to fuel price pressures:
Provision no additional funding, noting increased costs for school transport services directly flow to OBEGALx (Treasury recommended); or
Progress a revised package A or B that scales new spending to fund fuel price pressures; or
Progress package A or B and provision the remaining envelope funding for fuel price pressures.
Note that school transport services are the education service most susceptible to changes in fuel prices and these costs flow directly to OBEGALx; however, given the uncertainty of how long elevated fuel prices will last, the quantum of the forecast adjustment for school transport services and the corresponding impact on OBEGALx at the Pre-Election Economic and Fiscal Update (PREFU) is unclear.</td></tr>
<tr><td>Treasury advice</td><td>Since your first bilateral discussion, the conflict in the Middle East and the resulting disruption to shipping through the Strait of Hormuz have led to significant increases in the price of fuel. The Ministry of Education is a significant user of fuel and contracts services that are also significant fuel users. As of 31 March 2026, we do not have a sense of the quantum of cost pressures the Ministry of Education is facing.

You have options to manage fuel cost pressures in the Education package:
<u>Provision no additional funding (Treasury recommended)</u>
The service most susceptible to fuel price increases is school transport. We consider there is a reasonable chance that the price of the Ministry of Education's contracts with school transport service providers will increase.</td></tr>
</table>

	• School transport services are funded through forecast adjustments that flow directly to OBEGALx. • Therefore, any price increases to school transport services will be reflected in baseline updates with a corresponding impact on fiscal indicators at PREFU. The cost of any policy changes would need to be considered at the point of decision making. • You may wish to provision no additional funding for fuel price pressures from Budget allowances considering the above. The Ministry of Education would therefore need to manage any other fuel price pressures from within existing baselines. <u>Reprioritise funding within package A or package B</u> • You could discuss with the Minister of Education how the composition of package A and package B could be revised to fund fuel price pressures, [38] • An example of where the package could be revised is the schools' operational grant cost adjustment. We understand you may wish to discuss with the Minister a reduction in this cost adjustment from 2% to 1.5%. This would free up $10.0 million operating average per annum in the package to fund fuel price pressures. • If you select this option, we recommend holding the funding in a tagged contingency given the uncertainty of how long fuel prices will be elevated. <u>Progress package A or package B, and provision remaining envelope funding</u> • Package A and B have both come in under the [38] envelope, [38] , . • You may wish to allocate all or some of the remaining envelope funding to manage fuel price pressures. • Given your preference for limited additional funding to be allocated to Education this Budget, we do not recommend this option. If you do select this option, we recommend holding the funding in a tagged contingency.

Agenda Item 2 – Reprioritisation Options for the Revised Package

Description of key issue	• The most significant difference between the two revised packages is the source of reprioritised funding. There is no material difference in the new spending proposed in each package. • Package A, [38] additional operating average per annum, assumes that [38]

	[38] • Package B, [38] additional operating average per annum, assumes [33] and [38] • Package A and B both include [38] , as agreed to at the first bilateral discussion. • The Minister of Education has identified [38] average per annum in funding likely be returned to the centre after Budget 2026, [38] This is not a specific savings proposal for this Budget.
Treasury recommended talking points	• **Agree** with the Minister of Education <u>to not reprioritise</u> [33] • **Agree** with the Minister of Education to reprioritise [33] • **Discuss** with the Minister of Education the certainty of an identified potential underspend of [38] being returned to the centre after Budget 2026 and the suitability of using this to offset cost pressures.
Treasury advice	**We recommend reprioritising** [33] **instead of the** [38] • Our view raised ahead of your first bilateral regarding reprioritising funding [38] is unchanged. This anticipated underspend identified for reprioritisation is not a true saving as it relates to [38] • [33] •

	[33] • The savings from the [33] are true savings [33] . On this basis, we recommend progressing the former initiative in lieu of the latter. • The underspends identified in the Minister's package should be returned to the centre, as is the default process. However, this will not have a fiscal impact in time for this Budget. Furthermore, the majority [38] of these underspends are highly uncertain. We therefore recommend you note such anticipated underspends may be returned later in the year but that they do not offset new spending.

Agenda Item 3 – New Spending in the Revised Package: Primary Education

Description of key issue	• Both revised packages have reduced the net funding ask compared to the original submission of [38] in line with your expectations. • New spending between the two revised packages is quite similar; the $7.1 million difference and therefore the reduction in the overall funding ask emerges from different levels of reprioritised funding. • Therefore, both revised operating packages have not met your expectations of a reduction in the amount of funding sought for new spending initiatives in primary education.
Treasury recommended talking points	• **Discuss** with the Minister of Education how investment into primary education can be scaled. • **Agree** to scale investment in primary education (ID 17347) to $12.5 million operating average per annum.
Treasury advice	**We recommend scaling the primary education investment in the Education package.** • You requested at the first bilateral discussion that investment in primary education should be scaled down in both revised packages. This has not been done. • The Ministry of Education has provided further information about the package's investment into primary education, specifically the deliverability of improved educational outcomes. We still hold reservations about the quantum of further investment into supports funded at previous Budgets that have not yet been implemented, as 'on the ground' delivery and uptake is not yet understood. • As such, we recommend scaling the initiative "Foundations for Educational Success: Pathway to 2030" (ID 17347) from $33.2 operating average per annum to $12.5 operating average per annum to progress components with the most pressing need for investment.

Agenda Item 4 – New Spending in the Revised Package: School Property

Description of key issue	• The three capital packages submitted include funding for both maintenance and growth. • Funding for redevelopments has been included in the medium [37] total capital) and full [37] total capital) packages.
Treasury recommended talking points	• **Indicate** your preferred Education capital package: ○ [37] ○ ○ • **Request** the Minister of Education allocates any additional funding provisioned for maintaining the school property portfolio towards the redevelopment pipeline and meet other maintenance pressures from within existing baselines.
Treasury advice	**We recommend progressing the low capital package of [37] total capital.** • The Budget 2026 capital allowance is significantly oversubscribed. Our first best is to trade off investment in school property against potentially more pressing capital asks in portfolios such as Transport or Health. • On this basis, we recommend provisioning a lower level of additional funding of [37] total capital to meet the most immediate **growth** pressures (e.g. overcrowding) and provisioning [37] total capital for **maintenance** (e.g. water services and learning support property modifications). • At the first bilateral discussion, you indicated your preference to further fund the redevelopment pipeline. We understand that $428.2 million of existing baseline funding is provisionally allocated for new and existing redevelopments for 2026/27. We consider this allocation sufficient to maintain continued momentum in the pipeline. • If allocating additional funding for redevelopments remains a priority for this Budget, we recommend requesting the Minister of Education to prioritise redevelopments with any additional funding provisioned, and to use existing allocations to meet other maintenance pressures like water services and learning support property modifications.

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:** Fuel Price Considerations
2. **Agenda Item 2:** Reprioritisation Options for the Revised Package
3. **Agenda Item 3:** New Spending in the Revised Package: Primary Education
4. **Agenda Item 4:** New Spending in the Revised Package: School Property

Agenda Item 1 – Fuel Price Considerations

Description of key issue	• Recent fuel price increases may be generating cost pressures in Education. The Minister of Education may wish to revise the package considering these fuel price pressures. • At Budget Ministers 2, the Minister of Finance indicated that she may discuss with the Minister of Education reducing the uplift for schools' operational grants from a 2% uplift to 1.5%. • School transport services are the costs most susceptible to changes in fuel prices and cost increases are funded through forecast adjustments in the baseline update process. These costs flow directly to OBEGALx.

Agenda Item 2 – Reprioritisation Options for the Revised Package

Description of key issue	• The most significant difference between the two revised packages is the source of reprioritised funding. There is no material difference in the new spending proposed in each package. • Package A, of [38] additional operating average per annum, assumes [33] and [38] • Package B, of [38] operating average per annum, [38] Instead, [33] • Package A and B both include [38] as agreed to at the first bilateral discussion. • The Minister of Education has identified [38] operating average per annum in funding likely be returned to the centre after Budget 2026, [38]

	[38] This is not a specific savings proposal for this Budget.

Agenda Item 3 – New Spending in the Revised Package: Primary Education

Description of key issue	• Both revised packages have reduced the net funding ask compared to the original submission of [38] operating average per annum, in line with the Minister of Finance' expectations. • New spending between the two revised packages is quite similar; the $7.1 million difference and therefore the reduction in the overall funding ask emerges from different levels of reprioritised funding. • Therefore, both revised operating packages have not met the Minister of Finance' expectations of a reduction in the amount of funding sought for new spending initiatives in primary education.

Agenda Item 4 – New Spending in the Revised Package: School Property

Description of key issue	• The three capital packages submitted include funding for both maintenance and growth. • Funding for redevelopments has been included in the medium [37] total capital) and full [37] total capital) packages.