The Treasury

Budget 2026 Information Release

September 2026

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Some parts of this information release would not be appropriate to release and, if requested, would be withheld under the Official Information Act 1982 (the Act).

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Key to sections of the Act under which information has been withheld:

[1] 6(a) - to avoid prejudice to the security or defence of New Zealand or the international relations of the government

[2] 6(b)(i) - to avoid prejudice the entrusting of information to the Government of New Zealand on a basis of confidence by the Government of any other country or any agency of such a Government

[4] 6(c) - to avoid prejudice to the maintenance of the law, including the prevention, investigation, and detection of offences, and the right to a fair trial

[7] 6(e)(ii) - to prevent serious damage to the economy of New Zealand by disclosing prematurely decisions to change or continue government economic or financial policies relating to the regulation of banking or credit

[12] 7(a)(i) - to avoid prejudice to the security or defence of the self-governing State of the Cook Islands

[13] 7(a)(ii) - to avoid prejudice to the security or defence of the self-governing State of Niue

[14] 7(a)(iii) - to avoid prejudice to the security or defence of Tokelau

[15] 7(a)(iv) - to avoid prejudice to the security or defence of the Ross Dependency

[23] 9(2)(a) - to protect the privacy of natural persons, including deceased people

[25] 9(2)(b)(ii) - to protect the commercial position of the person who supplied the information or who is the subject of the information

[26] 9(2)(ba)(i) - to protect information which is subject to an obligation of confidence or which any person has been or could be compelled to provide under the authority of any enactment, where the making available of the information would be likely to prejudice the supply of similar information, or information from the same source, and it is in the public interest that such information should continue to be supplied

[27] 9(2)(ba)(ii) - to protect information which is subject to an obligation of confidence or which any person has been or could be compelled to provide under the authority of any enactment, where the making available of the information would be likely otherwise to damage the public interest

[31] 9(2)(f)(ii) - to maintain the current constitutional conventions protecting collective and individual ministerial responsibility

[33] 9(2)(f)(iv) - to maintain the current constitutional conventions protecting the confidentiality of advice tendered by ministers and officials

[34] 9(2)(g)(i) - to maintain the effective conduct of public affairs through the free and frank expression of opinions

[35] 9(2)(g)(ii) - to maintain the effective conduct of public affairs through protecting ministers, members of government organisations, officers and employees from improper pressure or harassment;

[36] 9(2)(h) - to maintain legal professional privilege

[37] 9(2)(i) - to enable the Crown to carry out commercial activities without disadvantage or prejudice

[38] 9(2)(j) - to enable the Crown to negotiate without disadvantage or prejudice

[39] 9(2)(k) - to prevent the disclosure of official information for improper gain or improper advantage

[40] 18(c)(i) - that the making available of the information requested would be contrary to the provisions of a specified enactment

[41] 18(d) - information requested is or will soon be publicly available

Where information has been withheld, a numbered reference to the applicable section of the Act has been made, as listed above. For example, a [23] appearing where information has been withheld in a release document refers to section 9(2)(a).

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TE TAI ŌHANGA
THE TREASURY

Reference: T2026/612 BM-2-1-2026-M136442

Date: 25 March 2026

To: Minister of Finance (Hon Nicola Willis)

Deadline: 26 March 2026
(if any)

Updating the approach to Budget 2026

We are meeting tomorrow (26 March) to discuss how the Budget 2026 package may need to evolve in response to events in the Middle East. This Aide Memoire summarises the key points we propose to discuss at that meeting.

Context
If changes you discussed with Minister Bishop at the housing bilat to the council incentives measure are included, the operating package has between $200 - $250 million of headroom p.a. The package is very cost pressure focussed (around 2/3 of the package is cost pressures), much of which will remain relevant to fund.

Some areas of the Budget package and process may need to be reassessed

These fall broadly into three areas:

1. *Meeting emerging cost pressures relating to inflation and fuel*

In the first instance, you have indicated to Ministers that costs should be met through baselines or through existing envelopes. Most of the fuel-intensive agencies are within envelopes. The scale of cost pressures could mean that Ministers need to change the composition of packages, or that you may want to consider some limited new funding

2. *New initiatives or changes to feasibility of savings packages*

There is likely to continue to be pressure for measures to mitigate the impact of higher fuel prices. This could include new initiatives, or changes to existing ones; for example:

- You have indicated that welfare reform package may need to be reconsidered. You have a bilateral on 31 March.
- The Minister of Transport indicated at the Housing bilateral on 24 March that he would like to consider deferring the planned 1 January 2027 increase to fuel excise duty by up to a year.

Our advice continues to be that any measures should be temporary, timely, and targeted.

3. Opportunities to generate headroom

There are two ways to generate additional headroom in the package to manage any new costs:

- **Bringing new savings initiatives into the package:** the largest opportunities are in revenue (e.g. a bank tax would be around [34] and in fees free (where saving options are up to $300m p.a.).
- **Re-evaluating discretionary spending packages:** the table below shows new spending packages (excluding core cost pressures) larger than $50m operating in the package.

$ million	Operating p.a.	Total capital
Year 2 of Defence Capability Plan	[33]	700
Health initiatives	100	421
Housing (e.g. Flexi Fund)	~100	-
Education	114	308
Transport: Rail	119	705
Transport: Roads of National Significance	-	[33]
Environment (RM Reform)	83	
Foreign affairs	63	-

[33], [37] and [38]

We do not think there is a case to re-evaluate all of these (for example, many of the new initiatives in education relate to core system upgrades we would recommend against deferring). We can discuss trade-offs when we meet on 26 March.

Running a short sharp invitation process

If you want to invite Ministers to recalibrate their existing Budget packages, or consider any new cost pressures to respond to higher inflation or fuel prices, we recommend that you run a short, targeted top-down invitation process that is restricted to existing envelopes or where there are frontline services where fuel costs will be very large relative to baselines (indicatively, this may include Oranga Tamariki). We would work to ensure this aligns with work on the public sector fuel plan and to Treasury's central scenario for oil prices. If you agree to this approach, we would look to give you next steps on 27 March in the weekly Budget TR.

We do not recommend issuing invites to agencies to elicit ideas for cost of living or economic response measures. Any measures you do consider should be in line with the temporary, timely, and targeted framework. We will continue to provide you advice on the economic response as the situation develops.

Ensuring there is a sufficient time for decision making

Recalibrating the approach to the Budget will have a flow on impact to the current decision-making process, which may require additional Budget bilaterals with Ministers.

Some of those are already scheduled for 31 March (welfare) and 1 April (education and health), and some areas you're already intending to have offline conversations to land a package (transport).

There are then several options to ensure that there is sufficient time for decision making:

1. **Move Budget Ministers 3:** You could move BM3 from Thursday 9 April to Monday 13 April before you leave for the IMF Spring on Tuesday 14 April. This would allow you slightly more time to request revised envelopes and initiatives from Ministers and agencies.

2. **Delegation to adjust Cabinet package post Budget Ministers 3**: You could seek a delegation at BM3 for you to make any changes required to finalise the Budget package before it's taken to Cabinet. This option would likely require you to transact papers while at the IMF and World Bank Spring meetings on 14-17 April.

3. **Additional Budget Ministers meeting:** You could choose to have fourth meeting. This would have to be on Monday 20 April so that you could still lodge the Budget package Cabinet paper by the end of that week, and so would require you to transact papers while at the IMF and World Bank Spring meetings on 14-17 April.

4. **Delay the Budget package Cabinet paper or seek a post Cabinet delegation**: The Budget package is currently going to Cabinet on 28 April for approval. However, given the circumstances, you could look to delay taking it to Cabinet by a week (you have indicated that you are interested in going to Singapore on 3-4 May so this would need an additional Cabinet on 5 May). You could alternatively seek a delegation from Cabinet for you (and other relevant Ministers as required) to make further decisions.

Some of these options could mean that:
- the Estimates and Budget legislation may not reflect final Budget decisions. There are standard ways of managing this (e.g. an amendment paper to the Appropriation Bills to reflect late changes, which was utilised for the 2023 severe weather events).
- Budget decisions may not be fully reflected in the final fiscal forecasts
- a truncated production process, where you would need to decide which discretionary Budget communications documents to prioritise

Future costs and uncertainty

For now, we have recommended that you meet any new costs within Budget 2026 allowances. That ensures that costs are managed in line with your fiscal strategy. Further costs may arise beyond the Budget (and as previously noted, you could consider a higher between Budget contingency this year). The scale of any future economic and fiscal impacts would have implications for how you approach your Budget and fiscal strategy for Budget 2027.

Stephen Bond, Manager, Budget Management, [39]