

Hon Gerry Brownlee  
Parliament Buildings  
WELLINGTON

Dear Minister

Thank you for your Baseline Alignment Proposals (BAPs). I am writing to you in relation to the decisions taken by Budget Ministers following a discussion of all BAPs submitted by Vote Ministers and to outline the challenges we face over the next two years.

Budget Ministers met to discuss your proposals on Tuesday 16 March and agreed that your submission for Vote Economic Development covered the main areas Budget Ministers were expecting to see in the submission. Your submission identified how your priorities linked to the Government's priorities and outlined how these would be delivered within existing baseline funding. Consequently, your BAP has been accepted by Budget Ministers.

We are pleased that you are able to operate within your existing baseline and agreed that your submission for Vote Energy should be accepted. In future Budgets, reprioritisation options need to be considered in order to manage Government priorities within a flat baseline.

In your submission for Vote Economic Development, you noted that:

- You wished to establish a new multi-year appropriation to meet the costs of Rugby World Cup leveraging activities, funded from reprioritisation within Vote Economic Development and transfers from other Votes, which had not been defined at the time of submission. I understand that the outstanding funding for the new Rugby World Cup appropriation has been now sourced from further reprioritisation within Vote Economic Development (including a transfer from New Zealand Trade and Enterprise) and transfers from Votes Foreign Affairs and Trade and Tourism.
- *[information deleted in order to maintain the current constitutional conventions protecting the confidentiality of advice tendered by ministers and officials]*

In your submission for Vote Energy, you noted that:

- A major reprioritisation would be required to support the government's work programme around progressing the Minerals Action Plan and that would cost an estimated \$4 million, subject to a Cabinet decision.

*[information deleted in order to maintain the current constitutional conventions protecting the confidentiality of advice tendered by ministers and officials]*

Budget Ministers met to further discuss your proposals on Wednesday 31 March and agreed to accept the return of an \$80 million underspend from the Reserve Energy and Emergency Measures – Variable multi-year appropriation. Budget Ministers also agreed that the \$8.7 million in underspends in the Biodiesel Grants Scheme be returned as savings  
*[information deleted in order to maintain the current constitutional conventions protecting the confidentiality of advice tendered by ministers and officials].*

For the majority of Votes there will be no new money in future Budgets. As such, it is expected that you are making the necessary trade-offs that will allow you to deliver on your priorities within your existing funding, which includes managing all your departmental pressures in this time.

Now that the process for Budget 2010 is almost complete, Ministers should be taking the opportunity to use the Statement of Intent process and discussions about CEO performance expectations to plan further improvements in value for money. Most BAPs focused on changes over the next year. However by Budget 2011 we will expect to see plans delivering value for money over the next four years which reflect flat or declining baselines.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Bill English', with a stylized flourish at the end.

Hon Bill English  
Minister of Finance