

Hon Judith Collins
Parliament Buildings
WELLINGTON

Dear Minister

Thank you for your baseline alignment proposals for Votes Corrections and Police. I am writing to you in relation to the decisions taken by Budget Ministers following a discussion of all proposals submitted by Vote Ministers and to outline the challenges we face over the next two years.

Budget Ministers met to discuss the Justice Sector's baseline alignment proposals on Tuesday 16 March, with final decisions taken on Wednesday 31 March.

Across the Justice sector we were pleased to see the first steps in cross-sectoral reprioritisation and were satisfied that you were able to live within the allocation of \$151 million new funding that Cabinet made for the Justice Sector in December.

However, as you note in your submissions the challenge for the Justice sector and indeed for all of Government is how to address the cost pressures that exist in future years based on current policy settings.

I recognise this is a challenging task that will require substantial Ministerial leadership and co-operation. Changing headline policy settings and allocating resources across Votes is a role for us as Ministers and given the ongoing fiscal constraint required, our involvement in this area will be even greater in future budgets.

For the majority of Votes there will be no new money in future Budgets. As such, it is expected that the Justice sector will be making the necessary trade-offs that will allow Ministers to deliver on their priorities within the existing funding in the sector – which includes managing all departmental pressures. I appreciate that this will require you to consider changes to policy settings in places as well as changes to operating models.

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". The signature is written in a cursive, flowing style.

Hon Bill English
Minister of Finance