

Hon Christopher Finlayson
Parliament Buildings
WELLINGTON

Dear Minister

Thank you for your Baseline Alignment Proposals (BAP). 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 Votes Treaty Negotiations and Arts, Culture and Heritage covered the main areas Budget Ministers were expecting to see in the submissions. Your submissions identified how your priorities linked to the Government's priorities and outlined how these would be delivered within existing baseline funding. Consequently, these BAPs have been accepted by Budget Ministers.

Budget Ministers considered the Memorial Park initiative. As you will appreciate, the capital allowance was heavily pressured in this Budget. This initiative was only able to be included at a reduced amount of \$10 million new capital funding within the package that will be recommended to Cabinet on 19 April.

Budget Ministers agreed on Wednesday 31 March to your proposal for additional funding of \$6.5 million to increase the capacity of the Office for Treaty Settlements. This will be funded from the Budget 2010 operating allowance. Also, the level of the Multi-year Appropriation for Historical Treaty of Waitangi Settlements will be increased to \$1.4 billion for 2010/11, as your submission recommended.

Budget Ministers also discussed the Justice Sector's BAPs, among which was the Attorney-General proposal.

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 the Justice sector submission notes, the challenge for the 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.

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