

Hon Rodney Hide
Parliament Buildings
WELLINGTON

Dear Minister

Thank you for your Baseline Alignment Proposal (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 proposal on Tuesday 16 March and agreed that your submission for Vote Local Government 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.

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". The signature is fluid and cursive, with a large initial "B" and a long, sweeping tail.

Hon Bill English
Minister of Finance