

Hon John Key
Prime Minister
Parliament Buildings
WELLINGTON

Dear Prime Minister

Thank you for your Baseline Alignment Proposal (BAP). I am writing to you in relation to the decisions we, as Budget Ministers took following a discussion of all BAPs submitted by Vote Ministers.

We met to discuss Vote Minister proposals on Tuesday 16 March and agreed that your submissions for Vote Ministerial Services, Vote Security Intelligence and Vote Prime Minister and Cabinet covered the main areas we were expecting to see in the submission. Your submissions identified how your priorities linked to the Government's priorities and outlined how these would be delivered within existing baseline funding. Consequently, we accepted those BAPs.

For Vote Tourism, we are agreed to accept your submission as you outlined that you are able to operate within your existing baseline.

[Information deleted in order to protect the security of New Zealand]

The proposals submitted by all Vote Ministers through your respective BAPs will be incorporated into the Budget 2010 package to be submitted for Cabinet consideration on Monday 19 April.

For the majority of Votes there will be no new money in future Budgets. As such, it is expected that Ministers 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.

We face some important fiscal challenges in coming years as we continue to manage within a \$1.1 billion operating allowance. I intend engaging with Ministers on the process for Budget 2011 later this year. I am also, in cooperation with the Minister of State Services, preparing agencies for performance discussions that will help to inform discussions between Ministers and departments about the value that we get out of current spending.

The next step in formalising the priorities identified in your BAPs is the Statement of Intent. This document sets out how your respective departments will manage their baseline over the next few years, accounting for any possible increase in activities and capability pressures.

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