

Hon Murray McCully
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 we are pleased that you are able to operate within your existing baseline and agreed that your submissions for Vote Foreign Affairs and Trade and Vote Official Development should be accepted.

For Vote Foreign Affairs and Trade and Vote Official Development Assistance, Budget Ministers are aware that you have been undertaking some work outside the BAP process to improve some services and manage cost pressures. Budget Ministers would encourage you to continue focussing on how Vote Foreign Affairs and Trade will be used in the future to contribute to the Government's overarching goal of delivering economic growth.

Similarly, Budget Ministers would encourage you to continue exploring how Vote Official Development Assistance can be used most effectively to support sustainable economic development in developing countries.

I note that no BAP was submitted for Vote Sport and Recreation. There have been some recent changes and reprioritisation made within the Vote to better align spending with Government priorities.

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 written in a cursive, flowing style.

Hon Bill English
Minister of Finance