

Hon Simon Power
Parliament Buildings
WELLINGTON

Dear 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 Votes Commerce and State Owned Enterprises should be accepted.

We also discussed the Justice Sector's baseline alignment proposals on 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 submission 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.

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