

Hon Tony Ryall  
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 and Wednesday 31 March and agreed that your submission for Vote State Services 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.

I am interested to see progress from Vote State Services on pay and employment conditions especially in Health, Education and Police; the work related to the Performance Improvement Framework and actions to improve service delivery and governance in the state sector with a view to achieving fewer and more streamlined State sector agencies. Progress on these areas will lead to a reduction in costs to deliver improved and accessible services in the state sector.

In regards to your BAP for Vote Health, we are pleased with the significant reprioritisation options you have identified within Ministry-managed programmes to supplement the Health allocation. We agreed to support an increase in the health allocation of \$20 million per year, to enable a higher level of increase in pharmaceuticals funding (now \$10 million per year) and to assist in managing risks and pressures in the Vote over the course of the year. With this change, we agreed that your submission for Vote Health should be accepted.

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