

Hon Dr Nick Smith
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 agreed that your submissions for Votes Climate Change and Environment covered the main areas Budget Ministers 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, your BAPs have been accepted by Budget Ministers.

However, for Vote Environment, Budget Ministers are aware that you have been undertaking some work outside the BAP process in relation to the clean-up of the Tui Mine. We would hope for a quick resolution to this.

Budget Ministers met to discuss your BAP for Vote ACC on Wednesday 31 March. The BAP has been accepted with the following amendments:

- The Non-Earners Account baseline will be updated and reduced by approximately \$187 million over 2010/11, 2011/12 and 2012/13. This amount is based on ACC's Technical Report adjusted to allow for earlier decisions on ACC legislative amendments and for the correct opening balance. Officials from the Department of Labour and Treasury will finalise the amount and report to joint ministers on it by 12 April 2010.
- \$2 million in additional funding in 2010/11 is to be provided to Vote ACC for departmental policy advice to implement competition from the operating allowance. *[Information deleted in order to maintain the current constitutional conventions protecting the confidentiality of advice tendered by ministers and officials].*
- The 2010/11 Main Estimates will include separate appropriations for ACC's Treatment Injury Account and Non-Earners Account, with the combined total for these appropriations to equal the approved baseline.

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