

Hon Anne Tolley  
Parliament Buildings  
WELLINGTON

Dear Minister

Thank you for your final Baseline Alignment Proposal (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 matters that we discussed at our bilateral meeting on 25 March 2010.

Budget Ministers met to discuss your proposal on Wednesday 31 March and we are pleased that you are able to operate within your existing baseline and additional allocation, and agreed that your submission for Vote Education should be accepted. *[information deleted in order to maintain the current constitutional conventions protecting collective and individual ministerial responsibility]*

As discussed at our bilateral meeting, we will need to frame the cost pressures facing Vote Education over the next five years for our Cabinet colleagues and provide options for managing these pressures. To this end, I have invited you to report to either the Expenditure Control Committee or Strategy Committee in May 2010 on these issues in relation to ECE and schooling. *[information deleted in order to maintain the current constitutional conventions protecting the confidentiality of advice tendered by ministers and officials]*

In addition we agreed that all forecast changes within Vote Education would be made to 'count' against Vote Education baselines and whatever Budget allocation is provided in future. I expect this arrangement to commence starting from (and including changes made in) the 2010 October Baseline Update.

Thank you for your letter regarding capital funding of 31 March 2010. Budget Ministers accepted the \$176 million constraint you suggested, including a contribution from the central capital pool of \$146 million. *[information deleted in order to maintain the current constitutional conventions protecting the confidentiality of advice tendered by ministers and officials]*

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