

Hon Maurice Williamson  
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 proposal on Tuesday 16 March agreed that your submission for Vote Statistics and Vote Land Information 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.

In relation to Vote Customs, we are pleased that you are able to operate within your existing baseline and agreed that your submission should be accepted. In future Budgets, reprioritisation options will need to be considered in order to manage Government priorities within a flat baseline.

I would like to comment on one aspect of your BAP submission for Vote Statistics. Statistics New Zealand is forecasting a deficit of \$8.5 million in 2011/12, due to increasing operating costs, depreciation costs and cessation of time-limited funding. I was pleased to see that Statistics New Zealand proposed a two-stage approach to meeting the 2011/12 deficit. In addition to this plan, Statistics New Zealand will need to develop a medium to long-term approach to address potential future baseline deficits beyond 2011/12.

For the majority of Votes in future Budgets, there will be no new money. 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