



BRIEFING

Draft Cabinet papers – Changes to the New Zealand Residence Programme and Parent Resident Visa (Parent Category)

Date:	1 November 2018	Priority:	High
Security classification:	In Confidence	Tracking number:	1499 18-19

Action sought		
	Action sought	Deadline
Hon Iain Lees-Galloway Minister of Immigration	Indicate any feedback on the content of the attached draft Cabinet papers. Agree to consult the draft Cabinet papers with your ministerial colleagues, subject to any feedback.	16 November 2018
Hon Kris Faafoi Associate Minister of Immigration	Note the contents of this briefing	N/A

Contact for telephone discussion (if required)				
Name	Position	Telephone		1st contact
Siân Roguski	Manager, Immigration Policy	(04) 901 3855	Privacy of natural persons	✓
Chris Pound	Senior Policy Advisor, Immigration Policy	(04) 916 6066	-	

The following departments/agencies have been consulted
N/A

Minister's office to complete:

- | | |
|---|--|
| <input type="checkbox"/> Approved | <input type="checkbox"/> Declined |
| <input type="checkbox"/> Noted | <input type="checkbox"/> Needs change |
| <input type="checkbox"/> Seen | <input type="checkbox"/> Overtaken by Events |
| <input type="checkbox"/> See Minister's Notes | <input type="checkbox"/> Withdrawn |

Comments



BRIEFING

Draft Cabinet papers – Changes to the New Zealand Residence Programme and Parent Resident Visa (Parent Category)

Date:	1 November 2018	Priority:	High
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Purpose

This briefing:

- seeks your feedback on drafts of two Cabinet papers that propose changes to the New Zealand Residence Programme and the Parent Resident Visa (Parent Category), prior to circulating papers for ministerial consultation
- provides advice on: the key changes made to the Cabinet papers since officials advised you on the policy issues being addressed; feedback from agency consultation on the drafts; and other related issues.

Recommended action

The Ministry of Business, Innovation and Employment recommends that you:

- a **Agree** to provide officials with your feedback on the content of each draft Cabinet paper
Agree / Disagree
- b **Agree**, subject to your agreement to each paper's content, to consult the draft papers with your ministerial colleagues for them to provide comments and feedback to you by 16 November 2018
Agree / Disagree
- c **Note** that officials have provided further advice on the Parent Category settlement fund eligibility criterion
Noted
- d **Indicate** which of the Parent Category settlement fund options below to include in the final Cabinet paper:
- i. Abolish this eligibility criterion (recommended) *Yes / No*
or;
 - ii. Retain the criterion but increase the funds required to the amount specified *Yes / No*
- e **Note** the draft paper includes your preference for migrant sponsors to provide evidence of their income for one out of the three years immediately preceding their parents application date
Noted
- f **Indicate** whether you wish to re-consider increasing the income evidence timeframe to two out of the three years immediately preceding their parents application date on the basis that sponsors should be required to demonstrate stable, consistent income over multiple years
Yes / No

- g **Note** that officials propose that Cabinet Economic Development Committee consider the final Cabinet papers on 28 November 2018, which will require them to be lodged with the Cabinet Office by 10am on 22 November 2018

Noted

Siân Roguski
**Manager, Immigration Policy,
MBIE**

..... / /

Hon Iain Lees-Galloway
Minister of Immigration

..... / /

PROACTIVELY RELEASED

Background

1. MBIE officials provided you with advice on proposals to change the approach to managing the New Zealand Residence Programme (NZRP) on 29 June 2018 [BN3942 17-18 refers] and re-opening and changing the requirements for the Parent Resident Visa (Parent Category) on 24 August 2018 [BN0585 18-19 refers]. The attached Cabinet papers reflect and build on that advice and the feedback you provided.
2. The first paper seeks Cabinet's agreement to:
 - a. new objectives for the NZRP that better reflect the Government's current vision and priorities for the wider immigration system
 - b. change the approach to controlling residence numbers and priorities from one based on an overarching planning range and streams structure to one based on managing forecasts of individual resident visa categories.
3. The second paper seeks Cabinet's agreement to:
 - a. resume the selection of Parent Category expressions of interest and assessment of new residence applications using the current cap of 2,000 people per year
 - b. increase the financial and evidential requirements for applicants and their sponsors
 - c. remove the Tier Two stream and the parent resettlement fund eligibility options within the category.
4. We seek your direction and feedback on the content of each Cabinet paper.

No major changes have been made to the NZRP proposals since we advised you

5. No major changes have been made to the NZRP proposals since we provided you with advice in June 2018 [BN3942 17-18 refers].

Officials have reflected your feedback in the draft Parent Category and advise one further change

Link the timeframe for Parent Category sponsorship to the residency requirements for eligibility for New Zealand Superannuation

6. On 8 October 2018, you indicated to MBIE officials your preference that the New Zealand Superannuation (NZS) residence eligibility requirement and the sponsorship period for migrants sponsoring their parents into New Zealand under the Parent Category visa be aligned. This is reflected in the draft Cabinet paper. Currently, the sponsorship period is a fixed term of ten years.
7. This proposed change would mean that that the sponsorship period would be the same length as the residence eligibility requirement for NZS, also currently ten years. The sponsorship period cannot be reduced on the basis that the applicant may become eligible for NZS in a shorter period of time. This might occur if a migrant is eligible to receive superannuation from another country under a reciprocal agreement with New Zealand.
8. Should the Government decide to increase the eligibility requirement for NZS, the sponsorship requirements for migrant sponsors, under the Parent Category, would also increase. This would require changes to the Immigration Act 2009.

Index link income levels to the median income from wages or salary

12. As outlined in our previous advice to you on 24 August 2018, the Cabinet paper recommends increasing the financial thresholds for applicants and sponsors where the application is based on sponsor income [BN0585 18-19 refers]. This will ensure that either the parents arriving under this category or their sponsoring children have sufficient finances to cover their likely expenses during the ten-year sponsorship period.
13. The multipliers for each new income requirements for single (1.5x median income) and joint (2.0x median income) sponsors have been aligned with the threshold currently used for the 'highly skilled' threshold for the Skilled Migrant Category. For applicants' lifetime income, the threshold proposed reflect the current income levels required, that were recently adjusted in April 2018.
14. The paper proposes indexing the thresholds to the median income in Statistics New Zealand wages and income measures (similar to other policies) as a new benchmark. The thresholds will be automatically updated when these measures move to reflect movements in wages and salaries and keep pace with living costs.

Timeframe for sponsor's income to be at the threshold level

15. Our previous advice to you recommended that sponsor's income must be at the threshold level for three of the last five years preceding the application date [BN0585 18-19 refers].
16. In our discussion with you on 3 September 2018, you indicated your preference that sponsors should be required to meet the new income thresholds for one out of the three years immediately preceding the application date. The draft Cabinet paper reflects your preference.
17. Our view is that sponsors should be required to demonstrate stable, consistent income over multiple years. We suggest you consider increasing this requirement to two out of the three years for meeting the income threshold immediately preceding the application date on the basis that it:
 - a. mitigates the risk that some sponsors temporarily work extra hours or multiple low-skilled jobs over a shorter timeframe to meet this criterion; and,
 - b. provides greater assurance that sponsors are more likely to meet their obligations for the duration of the sponsorship period.

Abolish the Parent Category's settlement funds eligibility criterion

18. In addition to meeting the sponsors or migrant parent income requirements, parents currently have the option to gain residence through the Parent Category if they bring NZ\$500,000 of funds to New Zealand. Evidence of settlement funds may include bank statements or asset valuations and the parents must show that funds have been transferred once they have been approved in principle.
19. In our previous advice, we recommended increasing the settlement funds eligibility threshold from \$500,000 to \$750,000 [BN0585 18-19 refers].
20. We have since reviewed our advice and have identified a further option for this requirement. We now recommend abolishing the \$500,000 settlement fund option to meet the financial eligibility requirements on the basis that this criterion does not provide a robust mechanism for guaranteeing the long-term financial stability of the parent's settlement.
21. There is no requirement for the settlement funds to be invested or managed in a way that ensures a stable settlement outcome for the applicant in the long term. In addition, the settlement fund amount of \$500,000, with no other guaranteed form of income requirement, is low as the primary financial resource for an individual or couple settling in a new country for the remainder of their lives.
22. Increasing the settlement funds threshold also means that the Parent Category could duplicate other existing residence policies for parents. Those applicants who wish to use a settlement funds basis to apply for residence could use the existing Parent Retirement Resident Visa category.¹ This category provides a residence path and its requirements provide a stronger guarantee of positive long-term outcomes for migrating parents who have sufficient assets to support a stable settlement in New Zealand.
23. The people likely to be most affected by abolishing this option will be migrant parents who have already submitted an Expression of Interest for the Parent Category under this criterion and are queued for selection. Officials do not currently have the exact number of Eols queued under this criterion to hand and compiling an accurate figure could take time. However, based on applications that have been decided over the last couple of years, it is estimated that around 10 per cent (or 500 Tier One applications) have been made under the settlement fund option. Officials can compile a more accurate figure for these applicants should you wish.
24. The alternative to abolishing this criterion is to retain it but increase the level of funds required as originally proposed in our briefing. Consistent with our approach for indexing sponsors' and migrant parents' incomes to existing benchmarks, we propose 20 times the amount required for annual lifetime guaranteed income.
25. This is on the basis that there would be sufficient funds for a parent to live on for up to 20 years after residency was granted, given that most Parent Category applicants are aged between 60 and 70. In practical terms, this means that, for an individual applicant, there would be a 21 per cent increase from \$500,000 currently to \$606,278, and for a couple a 72 per cent increase from \$500,000 currently to \$858,880. These amounts would increase annually as the annual lifetime guaranteed fund levels are index linked to the median income. This alternative is also included in the draft paper.
26. We seek your direction on which of these options you would like to include in the final Cabinet paper.

¹ Parent Retirement Resident Visa's financial requirements are based on applicants having a minimum investment of \$1 million in New Zealand for at least four years; and, settlement funds of \$500,000; and, \$60,000 annual income for the parent.

Feedback from agency consultation

27. Agency consultation was undertaken on 18 – 24 October 2018 and feedback informed the draft Cabinet papers. Agencies consulted were: Ministry of Social Development, Ministry of Health, Ministry for Pacific Peoples, Ministry for Women, the Office for Seniors, Te Puni Kōkiri, The Treasury and the Department of Prime Minister and Cabinet.
28. The feedback received to date has not resulted in any substantive changes to the proposals in these papers. A table summarising agency feedback is attached as Annex Three.

Treatment of existing Parent Category Eols and managing new applications

29. Under current regulations, MBIE cannot prevent people submitting Expressions of Interest (Eols) for the Parent Category and paying their fees in the hope that selections will recommence at some time in the future. Since selections from the category closed in 2016, around 5,500 Eols have been queued, representing around 9,150 people. Immigration New Zealand (INZ) has been holding fees for these applications, in some cases, for years.
30. If no decisions are made, Eols could potentially continue to accumulate. At present, potential applicants are advised to wait until decisions on the future of the Parent Category have been made, however INZ are still receiving new Eols. If the category is not re-opened, we recommend changing the regulations to enable MBIE to stop receiving Eols.
31. For existing queued Eols, the key decision would be whether or not to resume selecting and assessing queued Eols to enable the parents that qualify to become residents. If existing queued Eols are no longer going to be selected and assessed, MBIE would be obligated to refund the parents' application fees for processing selected Eols that are currently being held. There would be a total cost incurred of around \$2.4 million for all queued Eols on hand. As these fees have been received for processing services that have not yet commenced, no additional funds are required. However, there would be an accounting impact on INZ's revenue reported for the financial year in which the refunds were issued.
32. The alternative is to close the category to new applicants but resume selecting and processing the existing Eols that are queued. This would mitigate some of the negative comment that might arise from existing applicants and sponsors that have been waiting for a decision on the future of the category. However, criticism is also likely to be received from potential new migrant sponsors who have had the option to bring their parents to New Zealand removed.
33. We will provide you with further advice on this, if necessary, once Cabinet has made its decisions.

Next steps

34. Subject to your agreement to each paper's content, we recommend that you consult your ministerial colleagues to seek their comments and feedback.
35. We propose that both papers are considered together at the Cabinet Economic Development (DEV) meeting on 28 November 2018. The table below outlines a potential timeline.

Date	Timeline
1 November 2018	Draft Cabinet papers to Minister of Immigration for comments and feedback
5 November 2018 – 16 November 2018	Consultation with Ministerial colleagues
16 November 2018	Ministerial consultation closes
19 - 21 November 2018	Feedback from Ministerial consultation incorporated in Cabinet papers and provided to Minister of Immigration for approval
22 November 2018	Cabinet papers lodged for Cabinet Economic Development Committee (DEV)
28 November 2018	Cabinet papers considered by DEV
3 December 2018	Cabinet consideration

Annexes

- Annex One: Draft Cabinet paper - New Zealand Residence Programme: New objectives and approach to managing residence numbers
- Annex Two: Draft Cabinet paper - Changes to the Parent Resident Visa (Parent Category)
- Annex Three: Summary of agency feedback from consultation

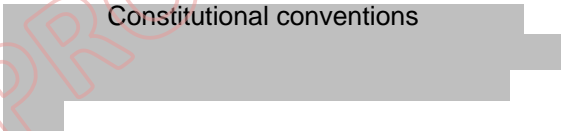
Annex Three: Summary of feedback from agency consultation

Feedback from agencies is summarised in the table below:

Paper 1 - New Zealand Residence Programme: New objectives and approach to managing residence numbers

Agency feedback	MBIE response
<p>Treasury commented that:</p> <ul style="list-style-type: none"> a. The papers should indicate whether new objectives would be equally weighted or if one was to be prioritised of the other. b. Additional advice on how the individual components of the NZRP would be controlled, how categories would be prioritised and should be included in this paper rather than being considered at a later stage c. The paper should provide more detail on what was entailed and considered in the previous review of the NZRP that is noted 	<p>Noted and statement added indicating that the objectives would be equally weighted as different weightings could create perverse incentives when prioritising one category over another</p> <p>Having a transition period of one year to when the planning range is removed provides officials with time to develop the control mechanisms for each category together with the approach to responding to forecast changes in trends. This enables Ministers to agree to the overarching approach first and then agree the detailed work on each residence category being undertaken in stages rather than undertaking the entire review programme before the approach is agreed by Ministers and delaying decisions.</p> <p>Noted, more detail added although we considered that it is unlikely that Minister would be interested in the review approach and process in detail.</p>
<p>Te Puni Kōkiri commented that:</p> <ul style="list-style-type: none"> a. Placing the proposals in the context of New Zealand's overall skills strategy would be useful as it is important that this strategy is founded on rangatahi Maori and other New Zealand youth. b. The overall objectives should take into account how and whether the residence criteria and levels of permanent migration strengthen New Zealand communities. c. In principle there was no objection to the new approach but wondered whether, in practice, the skilled migrant category and talent category would remain the main tools by which residence is controlled. 	<p>Further context added.</p> <p>Noted but no changes made to the paper.</p> <p>Noted but no changes made to the paper.</p>

Paper 2 – Changes to the Parent Resident Visa (Parent Category)

Agency feedback	MBIE response
<p>Treasury commented that:</p> <p>a. The paper’s key limitation is being unable to quantify either the positive or negative impacts that the category has on the economy or show how it balances out. Treasury officials suggested using proxy costs for showing the likely superannuation and healthcare costs to the Government.</p> <p>b. It would be useful to know the characteristics of sponsors (age, occupation, remuneration) to provide a view on whether they are more likely to be contributing to the economy.</p>	<p>The paper provides some quantification of the potential healthcare costs that was provided by the Sapere research undertaken in 2017. The paper acknowledges that a purely economic argument for allowing parents to migrate to join their children is likely to be negative and further, more detailed analysis is unlikely to change this view. The key point is that this is a balanced decision between the economic and the humanitarian benefits. Limiting the number of residence places and requiring/enforcing sponsorship obligations are how the Government’s cost exposure can best be mitigated.</p> <p>No changes made as sponsor characteristics are noted throughout the paper that provides a picture of sponsors (e.g. two-thirds are skilled migrants, median incomes).</p>
<p>Te Puni Kōkiri commented that:</p> <p>a. Noting that demand for places is expected to exceed 2,000 people and could become potentially become unmanageable for INZ, whether the further work needed to manage demand (and noted in the paper) should be undertaken now before re-starting applications, for greater consistency and to reduce uncertainty for applicants.</p>	<p>Future demand for places is unclear, particularly immediately following re-opening selections. The main option to manage demand is to enable MBIE to stop receiving EoIs, however this would require a regulation change. This would take time, be unpopular and may have little effect as it simply defers applications. The preferred approach is to resource clearing the current backlog over time and monitor new applications to ascertain whether further management measures are necessary.</p>
<p>Ministry of Social Development commented that:</p> <p>a.  Constitutional conventions</p> <p>b. MSD are not convinced of the rationale or need for the sponsorship and NZS residence eligibility period to be formally aligned.</p>	<p>Noted and reference has been added to the paper.</p> <p>This proposal intends to avoid the potential for a gap to occur between the period at which sponsorship ends and eligibility for NZS commences in order to mitigate the risk that parents may access the welfare system for support in their gap period. Officials explained this rationale behind linking the two and MSD were more comfortable with the approach.</p>