



COVERSHEET

Minister	Hon Michael Wood	Portfolio	Immigration
Title of Cabinet paper	Immigration Funding Review	Date to be published	18 August 2022

List of documents that have been proactively released		
Date	Title	Author
November 2021	Immigration Funding Review	Office of the Minister of Immigration
10 November 2021	Immigration Funding Review DEV-21-MIN-0221 Minute	Cabinet Office

Information redacted **YES / NO**

Any information redacted in this document is redacted in accordance with MBIE's policy on Proactive Release and is labelled with the reason for redaction. This may include information that would be redacted if this information was requested under Official Information Act 1982. Where this is the case, the reasons for withholding information are listed below. Where information has been withheld, no public interest has been identified that would outweigh the reasons for withholding it.

Some information has been withheld for the reasons of confidential advice to Government and free and frank opinions.



Cabinet Economic Development Committee

Minute of Decision

This document contains information for the New Zealand Cabinet. It must be treated in confidence and handled in accordance with any security classification, or other endorsement. The information can only be released, including under the Official Information Act 1982, by persons with the appropriate authority.

Immigration Funding Review

Portfolio **Immigration**

On 10 November 2021, the Cabinet Economic Development Committee (DEV):

Rationale for a review of immigration funding

- 1 **noted** that the immigration system has, until recently, been predominantly third-party funded in accordance with established cost recovery principles, with variances between forecast and actual revenue and expenditure managed through memorandum (or hypothecation) accounts;
- 2 **noted** that border closures and travel restrictions have lowered visa volumes and revenues, and that in the short-term the Ministry of Business, Innovation and Employment (MBIE) has had limited scope to reduce costs, leading to significant and growing deficits in the visa fee memorandum account and immigration levy hypothecation account;
- 3 **noted** that on 24 February 2021, DEV:
 - 3.1 agreed to provide funding support to MBIE (this support was subsequently extended through Budget 2021 until 30 June 2022);
 - 3.2 invited the Minister of Immigration to report back in mid-2021 on a review of the immigration funding model that would provide options for returning the system to a sustainable financial position;

[DEV-21-MIN-0034]

- 4 **noted** that COVID-19 has highlighted challenges with the immigration system funding model that have contributed to an enduring deficit in the immigration fees memorandum account since 2009/10, despite significant adjustments to fee rates through previous fee and levy reviews;
- 5 **agreed** that a detailed review of the immigration system funding model is the appropriate response to enable a return to financial self-sustainability;

Objective, structure and scope of the review

- 6 **agreed** that the objectives of the immigration funding review be to:
 - 6.1 support the sustainable funding of immigration services;

- 6.2 enable the effective, efficient and sustainable provision of immigration services;
- 6.3 mitigate the material funding shortfall created by COVID-19 until visa volumes stabilise;

7 **agreed** that the review be undertaken in three stages:

7.1 Stage 1: providing regular quarterly updates to the Minister of Finance and the Minister of Immigration, preparing options on an interim adjustment to fees and levies, and reporting back to Cabinet by the end of March 2022, with a view to final policy decisions being sought by September 2022;

7.2 Confidential advice to Government
[Redacted]

Confidential advice to Government
[Redacted]

8 **noted** that further detailed planning is underway to improve certainty of timeframes;

Confidential advice to Government
[Redacted]

9 **agreed** that the review of the funding model will explore Confidential advice to Government
[Redacted]

Confidential advice to Government
[Redacted]

Interim fee and levy adjustment within cost recovery settings

12 **noted** that although at this stage, with limited volumes, an interim fee and levy increase cannot return the immigration system to a sustainable funding path, it would offset some of the funding shortfall for the 2022/23 year and beyond;

13 **noted** that every 10 percent increase in fees is estimated to increase fee revenue by approximately \$10 million per annum;

- 14 **invited** the Minister of Immigration to consult with the Minister of Finance and Border Ministers on proposals for an interim fee and levy adjustment within cost recovery settings, before undertaking targeted consultation in early 2022;
- 15 **invited** the Minister of Immigration to report back to DEV by March 2022 on an interim fee and levy adjustment;

Financial implications

- 16 **noted** that additional capital injections will be required to cover the revenue shortfall in 2022/23, Confidential advice to Government
- 17 **noted** that the Minister of Immigration has requested an invitation from the Minister of Finance to submit a revenue shortfall bid for the 2022/23 year in Budget 2022 that:
- 17.1 accounts for updated volume forecasts and policy decisions;
 - 17.2 provides options for operational efficiencies or cost-reducing measures with associated trade-offs;
 - 17.3 presents different trade-offs between the level of immigration workforce resourcing, visa processing times and service delivery for a range of visa volume forecasts.

Janine Harvey
Committee Secretary

Present:

Hon Grant Robertson (Chair)
Hon David Parker
Hon Poto Williams
Hon Damien O'Connor
Hon Stuart Nash
Hon Kris Faafoi
Hon Willie Jackson
Hon Dr David Clark
Hon Meka Whaitiri
Rino Tirikatene MP
Dr Deborah Russell MP

Officials present from:

Office of the Prime Minister
Officials Committee for DEV