

09/82475

4 February 2009

Hon Dr Jonathan Coleman, Minister of Immigration

Budget 2009 - Expenditure Review Vote Immigration

Purpose

- 1 This report is in response to Cabinet's direction that Chief Executives of all Departments that administer Votes carry out a review of expenditure in those Votes (CAB Min (09) 1/1, CBC Min (08) 32/6 refers).

Background

- 2 Instructions in the Technical Guide for the Initiatives Phase of Budget 2009 require departmental Chief Executives to report on these reviews to their Minister(s) by 5 February 2009. Individual Ministers are to forward the review reports to the Minister of Finance.
- 3 The reviews have three parts – one of which feeds into the process for Budget 2009, the other two identify areas for future focus:
 - identify expenditure that does not align with government priorities to help free up savings for Budget 2009;
 - identify areas where there are opportunities for improved efficiency and effectiveness (to inform future reviews); and
 - build government confidence that Chief Executives and the state sector management system are well placed to meet the shift the government is expecting the state sector to make (to inform future reviews).
- 4 Departments that administer more than one Vote are required to report to the Responsible Minister for the Department on matters relating to departmental overheads and corporate services.
- 5 A panel of senior executives will consider the completed reviews to ensure that they are robust and meet Cabinet's expectations. The panel may comprise senior state sector officials drawn from the three Central Agencies (or other Departments); retired experienced state sector officials; or individuals drawn from the private sector.

Expenditure review process

- 6 Through the reviews Chief Executives are expected to identify savings in the following categories:
 - savings that can be freed up for Budget 2009;
 - programmes that are inconsistent with the Government's priorities and should be discontinued;
 - programmes that are inconsistent with the Government's priorities and should be looked into;
 - programmes and expenditure that are not efficient or effective; and

- areas where performance information is insufficient to make a judgement about efficiency and effectiveness, and actions agencies should take to make improvements in the next review period.
- 7 The Department adopted the following approach to its expenditure reviews:
- Setting the current 2009/10 Vote baselines as the foundation for each Vote review;
 - Identifying savings in the designated savings categories within each Vote on an output basis;
 - Identifying opportunities for further savings and operational improvements through more considered reviews and initiatives to be undertaken as a priority. These longer term Internal Value for Money (VfM) reviews are to be completed as soon as possible and no later than the end of the second quarter of 2009/10;
 - Discussing the expenditure review outcomes with Vote Ministers in the context of preparing submissions for the Initiatives Phase of Budget 2009.
- 8 The expenditure reviews have been carried out under the auspices of the Deputy Secretary with primary responsibility for each of the Vote areas in the Department. The savings have been aggregated to the Output Class level in each Vote.

Gross savings identified

Whole of Department

- 9 Departmental Baseline – total gross savings of \$16.899m (5.87%) on a baseline of \$288.103m.

Departmental	Vote Labour	Vote Immigration	Vote Employment	Vote ACC	Total	% Savings
	\$m #	\$m *	\$m	\$m	\$m	
Baseline 2009/10	79.237	190.543	15.770	2.553	288.103	
- Gross	(5.329)	(9.160)	(2.334)	(0.076)	(16.899)	5.87%

Labour Baseline Funding

Crown - Backed by HSE Levy	40.598
Crown	38.639

* Immigration Baseline Funding

Crown Funded	72.543
Fee Funded	118.000

- 10 Non Departmental Baseline – total gross savings of \$1.375m.

Non-Departmental	Vote Labour	Vote Immigration	Vote Employment	Vote ACC	Total
	\$m	\$m	\$m	\$m @	\$m
Baseline 2009/10	9.239	2.577	0.000	1,262.910	1,274.726
Gross Savings	(0.890)	(0.485)	0.000	0.000	(1.375)

@ ACC - NDOC Baseline Funding

Appropriation as at October Baseline Update	966.051
Post OBU Cab Min (08) 45/7 Inc. Non-Earners' Acct	296.859
Appropriation as at March Baseline Update	1,262.910

Vote Immigration

- 11 Vote Baseline - total gross savings of \$9.160m (4.81%) on a baseline of \$190.543m comprised as follows:

Output Class	Baseline 2008/09 \$m	Savings \$m	%
Output Class 1 Immigration Advisors Authority	2.200	0.007	0.3%
Output Class 2 Services to increase the capacity of New Zealand through immigration	171.721	8.598	5.0%
Output Class 3 Services to position New Zealand as an international citizen with immigration-related interests and obligations	16.622	0.555	3.3%
TOTAL	190.543	9.160	4.8%

- 12 In addition, Vote Non Departmental Baseline – total gross savings of \$0.485m on a baseline of \$2.577m.
- 13 The features of the identified savings including their implications and impact are set out in Schedule 1. The savings are further disaggregated in Schedule 2.

Other savings

- 14 The Department has an ongoing Economy Project instituted in 2006 which has set savings targets in operational expenditure. The Economy Project is covered in the Report on Departmental Overheads and Corporate Services to the Responsible Minister.
- 15 The management of the Department’s capital programme and its review are also covered in the report to the Responsible Minister.

Internal VfM reviews

- 16 *[information deleted in order to maintain the current constitutional conventions protecting the confidentiality of advice tendered by ministers and officials]*

17 These internal VfM reviews include activities under three of the identified savings categories:

- programmes that are inconsistent with the Government's priorities and should be looked into;
- programmes and expenditure that are not efficient or effective; and
- areas where performance information is insufficient to make a judgement about efficiency and effectiveness and actions agencies should take to make improvements by the next review period.

Contribution of Vote Immigration

17 Immigration plays a vital role in securing New Zealand's economic prosperity. Immigration supplies critical skills for our workforce as well as visitors and students who support our lucrative tourism and education industries. New Zealand's demographics mean that our future prosperity depends significantly on immigration. With our ageing population, the percentage of migrants in our workforce needs to grow if we are to lift our economic ranking against other OECD countries. With baby boomers heading for retirement around the world, the competition for skilled workers is intense and growing. Despite the current economic situation, these pressures will not go away. Skilled migrants are particularly important during economic downturn to drive innovation and productivity, enabling businesses to lift output with limited resources and to prepare for the inevitable economic upswing.

18 Following detailed discussions with the Minister of Immigration, the policy work programme has been revised to address Government priorities.

The three top immigration priorities are to:

- Better match the skills of our immigrants with the employment needs of our economy;
- Retain skilled Kiwi workers and attract overseas workers back to New Zealand; and

- Make our immigration services world class in their efficiency and effectiveness, and restore confidence in the integrity of Immigration New Zealand.

19 These will be delivered within the existing baseline.

Budget 2009

20 The Department adopted a number of principles to guide its work in developing its Budget 2009 responses. These included a principle to fund existing contractual commitments and unavoidable costs within existing baselines from the gross savings identified. The following table sets out the distribution of these costs of \$10.326m by Vote across the Department. These costs comprise remuneration costs of \$7.8m, rental costs of \$2.151m and a share of the cross departmental Identity Verification Services project funding of \$0.375m.

Departmental	Vote Labour	Vote Immigration	Vote Employment	Vote ACC	Total	% Savings
	\$m	\$m	\$m	\$m	\$m	
Baseline 2009/10	79.237	190.543	15.770	2.553	288.103	
Savings						
- Gross	(5.329)	(9.160)	(2.334)	(0.076)	(16.899)	5.87%
- less unavoidable costs	3.099	6.428	0.753	0.046	10.326	
Net Savings	(2.230)	(2.732)	(1.581)	(0.030)	(6.573)	2.28%

20 The total net savings of \$6.573m after funding unavoidable costs represent realisable savings for Budget 2009. Individual Vote Ministers have considered the application of these savings in their decision making for the Initiatives Phase of the budget.

21 Following detailed discussions with the Minister of Immigration, the Department has reprioritised policy work, enabling us to focus on priorities within the existing 2009/10 baseline.

22 Discussions around the Budget 09 and Value for Money process for Vote Immigration have been as follows:

- Gross savings of \$9.160m have been identified within the departmental baseline
- Gross savings of \$0.485m have been identified within the non-departmental baseline
- Unavoidable costs of \$6.428m have been identified that were agreed to be funded from the gross savings
- Net savings of \$2.732m were left subsequent to this agreement
- Other critical ownership costs of \$0.587m were identified that were agreed to be funded from the above net savings

- *[information deleted in order to maintain the current constitutional conventions protecting the confidentiality of advice tendered by ministers and officials]*
- A contribution toward the implementation of manifesto commitments of \$0.167m from departmental baseline and \$0.485m from the non-departmental baseline (technical change required) was agreed to be funded from the above net savings

23 The above decisions result in no savings being refunded to Crown Vote Immigration.

Recommendations

24 It is recommended that you:

Note the contents of this report.

Noted

Christopher Blake
Secretary of Labour

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Hon Dr Jonathan Coleman
Minister of Immigration

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Schedule One: Savings –impacts & implications by Output Class

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*** Savings categories:**

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Schedule Two: Gross savings details

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Schedule Three: Internal Value for Money (VfM) reviews

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