

**Vote Immigration**

# Baseline Alignment Proposal

4 March 2010

Submitted by:

**Hon Dr Jonathan Coleman  
Minister of Immigration**

## **Section 1: Alignment to Government Priorities**

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### **Role of Vote Immigration**

Immigration plays an important role in managing the volume and mix of migrants to New Zealand, while maintaining New Zealand's security. Immigration's key functions are:

- attracting the people New Zealand needs by identifying who they are, where they are, and assisting them to come to New Zealand
- identifying the people New Zealand doesn't want and keeping them out
- making immigration decisions in a way that is facilitative, efficient and effective
- supporting settlement to maximise the economic contribution made by migrants and to minimise social issues
- managing enforcement to protect the integrity of the immigration system.

### **Economic contribution**

Immigration is a critical economic enabler for New Zealand and has the potential to greatly advance the Economic Growth Agenda. Migrants make up more than 25 percent of New Zealand's workforce and make an annual net fiscal contribution of more than \$3.000 billion to New Zealand's economy. Immigration is, therefore, vital for our economic prosperity.

### **My intentions for immigration**

To maximise immigration's contribution to our economy, I propose to create a fit-for-purpose immigration system by focusing on four key priority areas. This will better support business innovation and trade, and contribute to lifting skills in the workforce.

My intention is aligned with the government's priorities to:

- grow the New Zealand economy
- make New Zealand more internationally competitive
- support innovation and trade through New Zealand's export performance.

### **My priorities and proposed actions**

My priorities and proposed actions for the remaining term of government are detailed below.

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

#### **Priority 2: Improve Immigration New Zealand's (INZ's) systems and delivery of services**

To improve the performance of INZ, I will focus on:

- **Performance indicators:** A timeline for measurable improvement has been agreed with the Department of Labour's Chief Executive to lift productivity and improve service.

- **Immigration New Zealand Change Programme (INZCP):** This programme will lift the quality of immigration service delivery over the medium term and consists of:
  - a. *[deleted – confidentiality of advice]*
  - b. Tools (technology and enablers), including implementation of the Immigration Act 2009
  - c. People (leadership, capability and culture)
  - d. Business processes and organisational alignment.

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

### **Priority 3: Implement a sustainable funding strategy for Immigration New Zealand**

Given the tight fiscal environment, I have instructed the Department to:

- re-examine the Immigration Fees Principles
- assess whether there is potential for new immigration levies
- develop a sustainable funding strategy to improve management of cost, risk and demand pressure.

In addition to this work, the following two value-for-money reviews are being undertaken:

- Crown funded activities within Vote Immigration (by July 2010)
- Immigration Advisers Authority (by July 2010).

### **Priority 4: Optimise potential and build on existing initiatives**

I am looking at how INZ can build on existing initiatives, particularly in the areas of export education and business migration. In 2010, I will:

- submit proposals to Cabinet to support the \$2.100 billion export education industry (New Zealand's fourth largest export industry)
- continue to monitor the business migration policies and implement a strategy to attract investors and channel their investments into key areas for the economy.

### **Level of ambition and risk mitigation**

My proposed direction for immigration is ambitious as it relies on overhauling the immigration system. The risks are mitigated by the significant amount of work completed, including:

- passing the Immigration Act 2009 (implementation of changes as a result of the Act are on target)

- INZCP has been developed and implementation is underway.

### **Changes to activities to meet my priorities**

I am not proposing to defer any activities to meet my priorities.

## **Department of Labour context across Votes**

The Vote Immigration Baseline Alignment Proposal should be considered in the context of the Department of Labour as a whole and read in conjunction with the Vote ACC, Vote Labour and Vote Employment Baseline Alignment Proposals.

### **Responding to the changed environment – delivering more for less**

The Department recognises that the Government requires agencies to fundamentally assess how they deliver services and to find new ways to deliver better public services for less.

A significant Business Improvement and Change Programme is being undertaken by the Department of Labour to transform all parts of its business.

The Business Improvement and Change Programme brings together existing change programmes and value-for-money reviews within the Department of Labour, including:

- Immigration New Zealand Change Programme
- Corporate Model Implementation Project
- Policy, Research and Evaluation, and Vote Employment Review
- Workplace Review
- Foundation Capabilities Programme.

These programmes are the first part of an ongoing programme of work that is systematically evaluating how the Department does its business and identifying opportunities for doing it better. The Department is further exploring innovative ways of doing business to lift performance and drive productivity, such as third party delivery of services, working at a sector level within Government, and supporting opportunities for shared services where possible.

This will transform the way the Department delivers its business, resulting in savings in outyears with some early benefits to be realised in 2010/11 as contributions to the Department's reinvestment programme. The Chief Executive is managing the Business Improvement and Change Programme as an integrated programme of work using programme methodologies that will demonstrate benefits and monitor delivery against agreed Key Performance Indicators. The Business Improvement and Change Programme is designed so that the costs of change are met within baselines.

### **Transforming the Department within reduced baselines**

The work under way to deliver business improvement and change is taking place within reducing baselines. In Budget 2009, the Department returned gross savings of \$17.414 million (\$6.588 million net) following the line-by-line review.

The Departmental appropriation is \$308 million for 2010/11, of which \$116 million is Crown funded. The balance of \$192 million is sourced from Fees and Levies and cannot be reprioritised to other activities.

In November 2009, the Department confirmed it could operate within this reduced baseline based on existing policy and legislative settings. Baseline Alignment Proposals to achieve that are detailed in Section 2.

Since November 2009, the Department has been asked by the Prime Minister and Minister of Finance to:

- fund additional ACC policy work *[deleted – confidentiality of advice]*

- find alternative ways to fund the Hazardous Substances and New Organisms (HSNO) enforcement and compliance activity short-fall (other than through legislative change), and
- contribute to the establishment of a Productivity Commission.

## Summary of cross-Vote Departmental Budget Alignment Proposals

### Overview

There are two key issues to address as a consequence of the post-November 2009 requests:

- Funding additional Department of Labour Vote ACC policy advice *[information deleted in order to maintain the current constitutional conventions protecting the confidentiality of advice tendered by ministers and officials]*
- Funding HSNO Act enforcement and compliance activity.

The request for Productivity Commission funding is being met within baselines and is outlined within Section 2 of the Baseline Alignment Proposals for Vote Labour, Vote ACC, and Vote Employment.

### Additional ACC policy work *[deleted – confidentiality of advice]*

The additional funding to be sourced is described in Table 1.

**Table 1:** Additional funding requirements for ACC policy work *[deleted – confidentiality of advice]*

\$m	2010/11	2011/12	2012/13	2013/14 and outyears
Additional Department of Labour Vote ACC policy advice	2.000	<i>[Deleted – confidentiality of advice]</i>		
<i>[Deleted – confidentiality of advice]</i>				
<i>[Deleted – confidentiality of advice]</i>				
<b>Total</b>				

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

There are two components to the funding issue:

- Additional Department of Labour Vote ACC policy advice
- *[Deleted – confidentiality of advice]*

## Additional Department of Labour Vote ACC policy advice

Options for funding the component related to additional Department of Labour Vote ACC policy advice are outlined in Table 2 below.

**Table 2:** Options and commentary for funding additional Department of Labour Vote ACC policy advice

	Option description	Commentary
1	<p><b>[Minister's preferred option]</b></p> <p><b>Budget allocation for Vote ACC –\$2.000m</b>  <i>[deleted – confidentiality of advice]</i></p>	<ul style="list-style-type: none"> <li>• This funding was originally allocated to meet anticipated costs from the Non-Earners' Account.</li> <li>• The Government made a decision not to fully fund the Non-Earners' Account.</li> <li>• Given the high priority of the policy work for the Government, a portion of this funding could be re-directed to meet additional policy requirements within Vote ACC.</li> </ul>
2	<p><i>[Deleted – confidentiality of advice]</i></p>	<ul style="list-style-type: none"> <li>• <i>[deleted – confidentiality of advice]</i></li> <li>• <i>[deleted – confidentiality of advice]</i></li> <li>• <i>[deleted – confidentiality of advice]</i></li> </ul>
3	<p><i>[Deleted – confidentiality of advice]</i></p>	<ul style="list-style-type: none"> <li>• <i>[deleted – confidentiality of advice]</i></li> </ul>
4	<p><i>[Deleted – confidentiality of advice]</i></p>	<ul style="list-style-type: none"> <li>• <i>[deleted – confidentiality of advice]</i></li> </ul>

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

**Funding Hazardous Substances and New Organisms (HSNO) Act enforcement and compliance activity**

The shortfall in funding (created by cessation of time limited funding) is described in Table 4.

**Table 4:** Funding requirements for HSNO activity

<b>\$m</b>	<b>2010/11</b>	<b>2011/12</b>	<b>2012/13</b>	<b>2013/14 and outyears</b>
HSNO (Enforcement and compliance activity funding)	2.198	2.198	2.198	2.198

<b>Total</b>	<b>2.198</b>	<b>2.198</b>	<b>2.198</b>	<b>2.198</b>
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Options for replacement funding of HSNO enforcement and compliance activity are described in Table 5.

**Table 5:** Options and commentary for funding HSNO enforcement and compliance activity

	<b>Option description</b>	<b>Commentary</b>
<b>1</b>	<i>[Deleted – confidentiality of advice]</i>	<ul style="list-style-type: none"> <li>• <i>[deleted – confidentiality of advice]</i></li> <li>• <i>[deleted – confidentiality of advice]</i></li> <li>• <i>[deleted – confidentiality of advice]</i></li> </ul>
<b>2</b>	<p><i>[Deleted – confidentiality of advice]</i></p> <p><b>Active management in 2009/10 of Vote Labour (\$1.500m) and Vote Employment (\$0.500m) expenditure</b> to enable a funding transfer, <i>[deleted – confidentiality of advice]</i></p>	<ul style="list-style-type: none"> <li>• Following the requests from the Prime Minister and Minister of Finance post-November 2009, the Department has been actively managing resources in Vote Employment and Vote Labour to provide options for the Government in finding ways to meet the cost pressures.</li> <li>• This is not a sustainable solution beyond 2010/11.</li> <li>• <i>[deleted – confidentiality of advice]</i></li> </ul>
<b>3</b>	<i>[Deleted – confidentiality of advice]</i>	<ul style="list-style-type: none"> <li>• <i>[deleted – confidentiality of advice]</i></li> <li>• <i>[deleted – confidentiality of advice]</i></li> <li>• <i>[deleted – confidentiality of advice]</i></li> </ul>

	Option description	Commentary

**Preferred option:**

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

*[Deleted – confidentiality of advice], an interim measure is available through active management of 2009/10 Vote Labour (\$1.500m) and Vote Employment (\$0.500m) expenditure to enable a funding transfer (Option 2 in Table 5). [Information deleted in order to maintain the current constitutional conventions protecting the confidentiality of advice tendered by ministers and officials].*

## Section 2: Reprioritisation

### Baseline for Vote Immigration 2010-11

TITLE	\$m
Immigration Advisers Authority	2.907
Services to Increase the Capacity of New Zealand through Immigration	193.510
Services to Position New Zealand as an International Citizen with Immigration-Related Interests and Obligations	16.899
<b>TOTAL</b>	<b>213.316</b>

Source: CFISnet (February Baseline Update 2009)

### Funding sources

Vote Immigration forms 69.1 % of the Department's operating budget of \$308.829 million for 2010/11. Achieving the priorities within Vote Immigration is therefore interdependent with achieving improvements in the wider Department's functions.

The following table highlights the sources of funding for the appropriation. Vote Immigration appropriations are split approximately 60 percent fees and 40 percent Crown funding. Specific funding sources limit the ability to reprioritise "tagged" expenditure to other activities.

\$m	Departmental	Revenue			
		Crown	Dept*	Fee	Levy
<b>Vote</b>	<b>Appropriation</b>				
Immigration	213.316	64.540	2.963	137.235	9.715
	<b>Non-Departmental</b>				
<b>Vote</b>	<b>Appropriation</b>	<b>Immigration Appeal Authorities</b>			
Immigration	2.577	2.577			

\* Revenue earned by a department from other departments and is eliminated for purposes of reporting the Crown's overall financial performance and position.

### Impact of priorities on Vote Immigration – 2010/11

Vote Immigration will be able to operate within baselines for 2010/11 and **no further reprioritisation** across output classes is proposed to meet my priorities for immigration. This is because changes to appropriations for 2009/10 and outyears from fee revenue were made in 2009 to enable the Department to:

- meet increasing demands and achieve minimum levels of service delivery in high pressure markets (particularly India)
- strengthen identity management
- strengthen immigration border operations
- fund the establishment of a Programme Management Office and initial work on the INZCP.

### **Impact of priorities on Vote Immigration – 2011/12 – 2012/13**

While no changes are proposed for 2010/11, the two value-for-money reviews (Crown funding and Immigration Advisers Authority) being undertaken by the Department may impact on the need for reprioritisation in 2011/12 – 2012/13 to meet the government's strategic direction.

The proposed funding strategy will present a long-term view of INZ's global service delivery footprint (where services are physically located), and provide a comprehensive view of how services will migrate over the three-year period to support the development of an effective and efficient immigration service. The strategy includes a fees review which will include an update to the fees model, and work is already underway in the INZCP.

### Section 3: Summary of Financial Movements

Vote: Immigration					
	2009/10	2010/11	2011/12	2012/13	2013/14
	\$000	\$000	\$000	\$000	\$000
Departmental	206,304	213,316	207,849	208,420	208,983
Non-Departmental	2,092	2,577	2,577	2,577	2,577
<b>Baseline (2009/10 FBU)</b>	<b>208,396</b>	<b>215,893</b>	<b>210,426</b>	<b>210,997</b>	<b>211,560</b>
Share Allocation	0	0	0	0	0
Centralised Saving	0	0	0	0	0
Reprioritisation					
Total Reprioritisation	0	0	0	0	0
Transfers Outside Vote					
Total Transfers Outside Vote	0	0	0	0	0
<b>Total Changes</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Total Proposed Baseline</b>	<b>208,396</b>	<b>215,893</b>	<b>210,426</b>	<b>210,997</b>	<b>211,560</b>