

# The Treasury

## Budget 2011 Information Release

### Release Document

June 2011

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- [1] 9(2)(a) - to protect the privacy of natural persons, including deceased people
- [2] 9(2)(f)(iv) - to maintain the current constitutional conventions protecting the confidentiality of advice tendered by ministers and officials
- [3] 9(2)(g)(i) - to maintain the effective conduct of public affairs through the free and frank expression of opinions
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In preparing this Information Release, the Treasury has considered the public interest considerations in section 9(1) of the Official Information Act.

**Vote Immigration**

# Four-Year Budget Plan

10 February 2011

Submitted by:

**The Department of Labour**

## Section 1: New Baseline and Summary of Changes

### Priorities for Vote Immigration

Immigration supports economic growth by attracting the skills needed to meet gaps in the labour market, facilitating the entry of visitors and international students and making it easier for businesses and entrepreneurs to invest their skills and capital in New Zealand. Immigration has the potential to greatly advance the Government's Economic Growth Agenda. To maximise this contribution, four priorities have been identified for Vote Immigration over the next four years:

1. Implement a new service delivery model which ensures that Immigration New Zealand (INZ) is sustainable into the future
2. Improve INZ's systems and delivery of services
3. Implement and build on the long-term immigration strategy
4. Build INZ's capacity and capability to manage risk.

In the short-term, Vote Immigration will manage within existing baselines by improving business processes, reallocating internal budgets and reducing operating costs such as the cost of offshore branches, accommodation leases, the size of the vehicle fleet and holding vacancies.

In the longer-term, Vote Immigration will manage within existing baselines by reprioritising funding from Value for Money reviews and moving to a lower cost service delivery model which meets customer needs and improves access to target markets. The Department of Labour (the Department) will also investigate whether Crown funding can be reduced by revoking, changing or reducing the number of bi-lateral fee waiver arrangements New Zealand has with other countries.

#### Overall Impact

Operating (Departmental)	Impact (\$000s)				
	2010/11	2011/12	2012/13	2013/14	2014/15
<b>Current Baseline (OBU 2010)</b>	<b>219,705</b>	<b>205,594</b>	<b>206,236</b>	<b>206,799</b>	<b>205,782</b>
Generic Cost Pressures		5,091	10,331	15,673	21,117
Business Specific Cost Pressures	3,850	2,702	2,702	2,702	2,702
Cost reductions	(3,850)	(7,793)	(13,033)	(18,375)	(23,819)
<b>New baseline</b>	<b>219,705</b>	<b>205,594</b>	<b>206,236</b>	<b>206,799</b>	<b>205,782</b>

*Note: Details of cost pressures and proposed cost reductions are provided in appendix 1.*

The Department forecasts cost pressures arising from remuneration increases, market related rental adjustments, and CPI movements of 2 percent to 3 percent per annum over the four years 2011/12 to 2014/15. If nothing else changes, Vote Immigration will need an increase in baseline of around \$24 million by the end of 2014/15. The Department will manage these pressures within existing baselines. Details of how this will be achieved is provided in section 3, although final decisions on the cost reduction

initiatives and strategies will be subject to further discussions with the Department and agreement by Ministers.

The decrease in the Vote baseline in 2011/12 is due to completion of time limited funding for specific projects such as implementation of the Immigration Act 2009, implementation of the Corporate Model and INZ change projects. The costs associated with these projects do not extend into out-years.

Operating (Non-Departmental)	Impact (\$000s)				
	2010/11	2011/12	2012/13	2013/14	2014/15
<b>Current Baseline (OBU 2010)</b>	<b>1,085</b>	<b>52</b>	<b>129</b>	<b>208</b>	<b>208</b>
Cost of new/increased activities	0	0	0	0	0
Amount reprioritised	0	0	0	0	0
<b>New baseline</b>	<b>1,085</b>	<b>52</b>	<b>129</b>	<b>208</b>	<b>208</b>

The decrease in the Non-Departmental baseline in 2011/12 is due to the transfer of the Residence Review Board, Removal Review Authority and Refugee Status Appeals Authority to the Ministry of Justice.

Capital	Impact (\$000s)				
	2010/11	2011/12	2012/13	2013/14	2014/15
Capital Contingency funding sought in Budget 2011:					
Immigration IT system (IGMS)	0	30,000	0	0	0
Refugee Resettlement Facility	0	4,000	0	0	0
<b>Total Contingency</b>	<b>0</b>	<b>34,000</b>	<b>0</b>	<b>0</b>	<b>0</b>

The Vote Immigration Four-Year Budget Plan 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 Four-Year Budget Plans.

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

The Government's overall goals are to lift the long-term performance of the economy, make New Zealand a more prosperous country and provide world-class public services. The Department contributes to these goals by growing New Zealand's economy and improving the quality of lives through a high performing labour market and immigration and accident compensation systems.

### ***Managing significant cost pressures***

The Department is facing the challenge of managing cost pressures of \$38 million over the next four years as inflationary pressures and unavoidable costs set in. The table below shows how these costs will accumulate over the next four years.

Departmental Expenditure	\$ millions			
	2011/12	2012/13	2013/14	2014/15
Vote ACC	2.844	2.842	2.845	2.839
Vote Employment	13.816	13.794	13.829	13.776
Vote Immigration	205.594	206.236	206.799	205.782
Vote Labour	78.751	77.503	77.741	77.375
<b>Baseline (OBU 2010)</b>	<b>301.005</b>	<b>300.375</b>	<b>301.214</b>	<b>299.772</b>
<b>Cost Pressures</b>	7.775	15.782	23.944	32.263
Hazardous Substances & New Organisms	1.017	2.108	2.108	2.108
Adventure Tourism	0.400	0.400	0.300	-
H & S <sup>1</sup> and Special Equipment - Depreciation	0.156	0.236	0.236	0.331
Immigration NZ Operational Priorities	2.702	2.702	2.702	2.702
Publications	0.202	0.202	0.202	0.202
<b>Sub-total Specific Pressures</b>	<b>4.477</b>	<b>5.648</b>	<b>5.548</b>	<b>5.343</b>
<b>Accumulated Funding Pressures</b>	<b>12.252</b>	<b>21.430</b>	<b>29.492</b>	<b>37.606</b>
<b>Pressure as % of Baseline</b>	<b>4.1%</b>	<b>7.1%</b>	<b>9.8%</b>	<b>12.5%</b>

To manage this pressure and ensure it can operate sustainably within baseline, the Department is in year two of a five year change programme to radically transform its business structure and operations.

### ***The transformational journey to date...***

The first phase of change in Budget 2009, involved a line-by-line review to identify potential cost reductions and efficiency gains. This included reducing staff numbers, reviewing all travel, reducing expenditure on lower-value functions, and reprioritising work programmes. To align activities with Government priorities, some functions including the Labour Market Knowledge Managers, Employment Relations Education Contestable Fund (ERE) and the Pay and Employment Equity Policy Unit have been rationalised or stopped.

As a result, in Budget 2009, a cost reduction of \$17 million was realised. A total of \$6 million was returned to the Crown and \$11 million was reinvested in the Department. This resource has been used to manage immediate cost pressures (including remuneration and rent) and to drive the transformational change programme.

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<sup>1</sup> Health and Safety

Transformational changes to date include:

- centralising all corporate functions to provide shared services and to reduce duplication and better support the Department's delivery arms, which took effect from 1 July 2010
- creating an integrated policy, research and evaluation function, which took effect from 1 December 2010.

These initiatives have already realised a further \$3.4 million for reinvestment into the Department's change programme. A number of secondary corporate model reviews are underway relating to the Department's ICT, communications and marketing, and finance functions. These reviews are expected to identify further cost reductions to support service delivery improvements and help ensure the future sustainability of the Department.

### ***A programme of continuous change...***

To ensure the Department is sustainable into the future, operational efficiencies need to be accompanied by more radical and enduring change. The next phase of transformation involves moving to lower cost delivery models.

The ongoing Immigration New Zealand Change Programme (INZCP) is positioning the Department to transition to lower cost delivery and processing channels for immigration services.

A similar approach will be taken to a review of the Labour group.

As well as establishing strong leadership and governance, components of transformational change include:

- ensuring functional alignment with Government's priorities
- developing and aligning the ICT infrastructure to support business needs
- identifying business process and operational improvements
- setting a future direction involving the use of lower cost delivery and processing channels [2]

Ongoing operational efficiencies will be identified to provide the investment resources required to support this transformation change. The Department will continue to review all aspects of expenditure to ensure the best use of resources.

## **Section 2: Vote Priorities and Pressures**

### **Role of Vote Immigration**

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 around \$1.9 billion to New Zealand's economy. INZ services also play an important role in export education, which contributes over \$2.3 billion per annum to the economy, and tourism, which contributes almost \$9.3 billion per annum.

### **How the Department's intentions fit with Government priorities**

To maximise immigration's contribution to economic growth, the Department will improve systems and the delivery of services, and build on the long-term immigration strategy which was approved in 2010. It will also ensure that INZ is sustainable into the future and that processes are in place to effectively manage risk in an environment of increasingly sophisticated criminal activity. This focus supports 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.

In the 2010 Baseline Alignment Proposal, the Minister of Immigration outlined his priorities and proposed actions which remain largely unchanged with the exception of priority four (Optimise potential and build on existing initiatives) and will build on the progress the Department has made to date.

### **Priorities for Vote Immigration**

The vision for INZ is an immigration service which:

- delivers cost effective, flexible services that meet customer needs
- has effective policies in place to attract business migrants
- efficiently and effectively settles migrants
- manages integrity and risk.

To achieve this vision, the Department will focus on four priorities for Vote Immigration:

#### ***Priority 1: Implement a new service delivery model which ensures that INZ is sustainable into the future***

INZ has a high cost, labour intensive delivery model, which in part reflects limited investment in IT systems over a number of years and ad hoc responses to initiatives from other agencies. Technology constraints in the past have meant that INZ has made minimal use of e-services and has responded to growth in demand by increasing staffing levels and/or the number of branch offices. Although the Ministry of Foreign Affairs and Trade (MFAT) processes applications on behalf of INZ in a number

of locations, the majority of applications are decided at branch offices. INZ has a large global network which is expensive to manage and operate, and slow to respond to market changes.

In 2010 the Minister of Immigration asked the Department to develop a sustainable funding strategy which should enable INZ to continue to operate into the future within fixed baselines. This work is almost complete. To meet the Government's objective of providing "delivering smarter, achieving more", the Department is proposing to change the existing service delivery model for INZ. Although the primary focus will be on visa services, which comprise the majority of INZ activity and expenditure, consideration will also be given to border security, attraction and settlement activities.

Options being considered to reduce costs and improve delivery in the visa services area include:

- [2]
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The changes are intended to reduce costs and improve services by:

- providing a range of delivery and processing channels and incentivising applicants to use the lowest cost channels
- [2]
- meeting increases in demand in ways other than by opening new branches and employing more staff
- leveraging the opportunities that arise through the regulation of immigration advisers
- considering how INZ might utilise the immigration adviser qualification that is in development, as a means to improve quality
- using technology to reduce manual processing and better support the management of risk.

The Department will prioritise this work so that the potential benefits are realised as quickly as possible. Proposed changes to the service delivery model are still in the development stage and more work is required to understand and manage the impacts. Changes will be implemented over a three to four year time horizon and need to occur in a carefully planned manner to avoid disruption to existing services, ensure that risks are effectively managed, and take account of NZ Inc priorities.

### ***Priority 2: Improve INZ's systems and delivery of services***

This priority is unchanged from last year. Significant progress has been made developing and standardising business processes, and the Department will continue to build on its achievements to date. To improve the performance of INZ, the Department will continue to focus on:



- *Performance improvement:* over the last year a comprehensive set of performance indicators was established which provides a sound basis to monitor the performance of INZ. A focus on these measures has helped to lift the timeliness of application processing and improve the quality of decision-making. However further improvements are required and the Minister of Immigration will agree targets with the Department of Labour's Chief Executive for both the timeliness and quality of decisions for the 2011/12 year.
- *Immigration New Zealand Change Programme (INZCP):* This programme aims to lift the quality of immigration service delivery over the medium term and steady progress has been made, particularly in improvements to business processes and preparatory work around a replacement Immigration IT system. However the immediate focus of the programme needs to be on completing existing projects and realising benefits. Therefore, over the 2011 year the Department will focus on:
  - implementing improvements to business processes
  - implementing the agreed changes to the INZ management structure
  - improving the quality of INZ leadership by training and developing existing managers
  - continuing to improve the quality of immigration decisions through staff training and development
  - issuing the Request for Proposal (RFP) for a replacement of the Immigration IT system (IGMS).

***Priority 3: Implement and build on the long-term immigration strategy***

In 2010 the Minister of Immigration asked the Department to develop a long-term immigration strategy. In September 2010 Cabinet approved a high-level strategic direction for immigration which will guide future policy development.

The strategy puts immigration squarely within an economic framework, and positions immigration as a key support mechanism for the Economic Growth Agenda. New Zealand needs to increase its efforts to attract and retain sizable inflows of highly productive migrants, and do more to improve the economic outcomes of all other migrants. The strategy also recognises that economic goals need to be mutually supportive of social goals. Positive social outcomes bring positive economic outcomes, and vice versa.

The Department will implement and build on the long-term immigration strategy by:

- reviewing skill shortages and developing effective strategies to attract and retain migrants with the skills to meet labour market gaps
- implementing a strategy to attract investors and channel their investments into key areas for the economy
- co-ordinating effective settlement strategies across the public sector that support successful integration and positive social outcomes, and foster employer utilisation of migrant skills and talents
- resolving the issues around refugee resettlement facilities as part of an effective settlement strategy
- facilitating the growth of export education and tourism

- reviewing key policies which support the long-term immigration strategy such as business migration, pathways to residence and the capped family stream.

#### **Priority 4: Build INZ's capacity and capability to manage risk**

Improvements to the delivery of immigration services need to be made while maintaining existing services and managing risk in an environment of increasingly sophisticated criminal activity. Therefore the Department will focus on:

- implementing the processes necessary to effectively manage the influx of visitors for the Rugby World Cup
- developing a strategy to manage unscheduled mass arrivals (i.e. boat people) including any necessary legislative changes and contingency plans
- supporting initiatives of the FCC (Five Countries Conference: USA, UK, Canada, Australia and New Zealand) to integrate systems, passenger information and intelligence to improve the transition of passengers while managing risk
- working with the border sector to implement more streamlined processes, increased efficiencies and improved risk management, including through improving the sharing of intelligence across agencies to enable improved passenger assessment and screening
- actively developing systems and processes which enable intelligence, identity and biometric information to be used in business processes and shared both within NZ and internationally.

### **Pressures and risks over the next four years**

#### ***Cost Pressures***

Vote Immigration will be facing pressure on both operating costs and capital expenditure over the next four years:

#### ***1. Operating Costs***

The Department forecasts cost pressures of 2 percent to 3 percent per annum comprising remuneration increases, market related rental adjustments (accommodation cost pressures), and price increases as a consequence of inflation (CPI Impact and Capital Charge). Pressure is also coming from additional visa processing services and a need to increase airline liaison services to enhance the advanced passenger processing system operating prior to boarding at overseas airports. There are also ongoing cost pressures for repairs and maintenance at the Mangere refugee centre along with increased costs in outsourced settlement services.

If nothing else changes, Vote Immigration will need an increase in baseline of around \$24 million by the end of 2014/15. However the Department will manage these pressures within existing baselines. In the short-term this will be achieved by improving business processes, reallocating internal budgets and reducing operating costs such as the cost of offshore branches, accommodation leases, the size of the vehicle fleet and[2]

In the longer-term Vote Immigration will be managed within existing baselines by reprioritising funding from Value for Money reviews and moving to a lower cost service delivery model which meets customer needs and improves access to target markets.

The forecast cost pressures and proposed offsetting cost reductions are detailed in appendix 1.

**2. Capital Expenditure:** [2]

[2]

**3. Capital Expenditure:** [2]

[2]

[2]

### ***Other risks in delivering against priorities***

The key risks in delivering against each of the four priorities are outlined below:

*Risks in delivering against Priority 1 include:*

- impact on other NZ Inc agencies such as MFAT.

[2]

*Risks in delivering against Priority 2 include:*

[2]

- the projects are not delivered within budget or agreed timelines.

*Risks in delivering against Priority 3 include:*

- INZ is unable to attract desired migrants and skills due to the current global economic environment.
- Tourism and export education sectors decline due to the current global economic environment.

*Risks in delivering against Priority 4 include:*

- risk management plans are not in place in time to enable effective management of an “event” (ie Rugby World Cup, mass arrival).
- the existing ICT system and processes are unable to support sharing of intelligence and biometric information.
- there is limited integration of information and systems across FCC countries.
- leadership of joint border sector initiatives is ineffective.

### ***Low value activities***

[2]

[2]

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[2]

[2]

### ***Activities not directly contributing to Economic Growth Agenda***

#### *Refugee services*

Refugee services are undertaken primarily to meet New Zealand's international and humanitarian obligations, and do not directly contribute to the Government's Economic Growth Agenda. The main cost driver of refugee services is the size of the refugee quota (currently 750 per annum), and Crown cost reductions could be achieved by reducing the quota. In July 2010, Cabinet agreed to restructure the quota into a multi-year allocation which is more focussed on the Asia/Pacific region and will also help to reduce costs. However, refugee services are of significant political interest and funding reductions are likely to attract adverse comment both nationally and internationally. Therefore there are no further changes proposed to any refugee services.

#### *Other Services*

The majority of other immigration services are part of the end-to-end immigration process and cannot be cut back without increasing risk or reducing service quality. In addition these services are predominantly funded by fees and there is limited ability to redirect cost reductions to other uses. However INZ will consider options to reallocate funding as part of the new service delivery model.

### ***What has to be delayed or stopped?***

The Department has already achieved a number of efficiencies through the new corporate operating model that came into effect on 1 July 2010. This model centralises corporate functions across the organisation, reducing duplication to best support business groups and provide more effective service delivery. The benefits of a significant value for money project will also be realised from 1 December 2010 when the Department's new policy and research structure comes into effect. This provides a significantly more integrated, efficient approach to managing policy, research, and evaluation functions and delivering more effective labour market and immigration advice.

Options to reduce or reprioritise Crown expenditure in Vote Immigration are limited because the majority of activity is fee funded (62 percent of Vote Immigration activities are funded from fees and 38 percent by the Crown). Due to the framework for setting fees in the public sector, opportunities to reprioritise funding are limited to Crown funded activities; cost reductions in fee funded activities cannot be redirected to other government priorities. The main Crown funded activities are:

- refugee services
- policy
- processing of bi-lateral fee waivers
- reviews and appeals
- profiling and intelligence
- border facilitation and security.



It is not proposed to change any of the Crown funded services provided through Vote Immigration at this stage because either the Government has recently confirmed expected service levels (in the case of Refugee Services and Policy) or reducing service level will create significant risks (in the case of Profiling and Intelligence, and Border Intelligence and Security). Therefore the Department considers that a better way to meet cost pressures is to deliver more efficient services to obtain better value for money from existing funding. However the following section outlines the steps the Department will take to enable continued provision of services within existing baselines.

## Section 3: Proposed Changes for Budget 2011 (Reprioritisation)

### *What will be new or different?*

As noted in section 1, Vote Immigration is facing inflationary cost pressures of \$24m over the next four years to June 2015. In order to meet these cost pressures INZ is undertaking an in depth analysis of its business to identify changes to its business model which could realise cost savings and/or increase efficiency. It will then need to assess the proposed changes, estimate potential savings and develop supporting business cases. With the exception of CMIP and PREE, this process is still in the early stages and it is not possible to be specific about how the necessary savings will be achieved. However preliminary analysis suggests that savings might be realised in five areas (*refer appendix 1 for more detail*):

	2010/11 \$000	2011/12 \$000	2012/13 \$000	2013/14 \$000	2014/15 \$000
1. CMIP/PREE		(2,529)	(4,000)	(5,494)	(7,012)
2. New Service Delivery Model		(2,000)	(4,000)	(7,000)	(10,000)
3. One off cost reductions and reallocations	(2,800)				
4. Refugee & settlement services	(250)	(670)	(670)	(670)	(670)
5. Improvements in business processes	(800)	(2,594)	(4,363)	(5,211)	(6,137)
<b>Total Cost reductions (cumulative)</b>	<b>(3,850)</b>	<b>(7,793)</b>	<b>(13,033)</b>	<b>(18,375)</b>	<b>(23,819)</b>

### **1. Continue to realise savings from CMIP and PREE**

Vote Immigration will share proportionately in the savings from the departmental initiatives to centralise corporate functions (CMIP) and integrate policy, research and evaluation functions (PREE).

#### *Potential Savings*

Savings of up to \$7m over the next four years will arise from:

- reduced duplication of services
- reprioritisation of work programmes
- reduced travel and other general expenditure
- renegotiation of IT contracts.

#### *Contribution to Government's priorities*

Changes will improve the quality of support services, but will not directly contribute to the Government's priorities.

### **2. Develop and implement a new service delivery model**

INZ has a high cost, labour intensive service delivery model and the first priority for Vote Immigration is to implement a new service delivery model which will ensure that INZ is sustainable into the future. This will progressively move INZ to lower cost delivery and processing channels which meet customer needs and provide

access to target markets. Consideration will also be given to the service delivery models in border security, attraction and settlement.

#### *Potential Savings*

Proposed changes to the service delivery model are being managed within the INZCP. The process is still in the design phase and more work is required to understand and manage the impacts. The next steps include:

- fully develop and assess the future service delivery model
- confirm the feasibility of proposed changes
- consult with MFAT, NZTE, MoE and other interested agencies
- [2]

- develop an implementation plan and initiate the proposed changes.

Although it is too early to identify the specific savings resulting from this process, preliminary financial modelling suggests that possible savings could reach \$10m per annum once the changes have been fully implemented. The majority of these savings will be in fee funded areas and, in line with OAG and Treasury guidelines, will not be able to be reprioritised to fund other activities. Possible savings may arise from:

- [2]
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#### *Contribution to Government's priorities*

Changes to the service delivery model will be designed to improve access to target markets, increase the quality of services and allow INZ to operate within existing baselines. These impacts will contribute to the Government's priority to grow the New Zealand economy by attracting more migrants, visitors and international students.

### **3. One-off cost reductions and reallocations**

[2]

one-off general cost savings of \$2.8m have been realised from across INZ. In addition, the cost of the INZCP will continue to be funded from within existing baselines which will require reprioritisation of internal budgets.

#### *Contribution to Government's priorities*

Changes will not directly contribute to the Government's priorities, but will allow INZ to continue to operate within existing baselines.

### **4. Change refugee and migrant services to fit within existing funding**

The majority of refugee and migrant services are purchased from external providers. The Department is in the process of reviewing the contracts for these

services and expects an increase of around \$0.670m. In order to fund this increase it is intended to reduce the scope of contracted services by eliminating lower value activities.

*Contribution to Government's priorities*

Changes will not directly contribute to the Government's priorities, but will allow INZ to continue to operate within existing baselines.

**5. Realise efficiencies from improvements in business processes**

INZ proposes to fund the balance of inflationary cost pressures over the next four years by realising efficiencies from improvements in business processes.

*Potential Savings*

Business process improvement is being managed within the INZCP. Proposed business process improvements are still being developed and it is too early to quantify potential savings. Possible options being considered include:

- automating manual processes
- increasing consistency of collection and storage of applicant information
- reducing the number of medical referrals
- increasing the use of e-mail and electronic templates.

*Contribution to Government's priorities*

Changes will not directly contribute to the Government's priorities, but will allow INZ to continue to operate within existing baselines by providing better, smarter public services over the next four years.

**Other Initiatives**

[2]

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[2]

[2]

***Capital Bids***

In addition to meeting inflationary cost pressures, the Department will submit two bids for contingency funding in Budget 2011:

[2]

## Section 4: Summary of Financial Movements

### Four-Year Budget Plan - Financial Summary Report (Operating - Including Operating Associated with Capital Initiatives 2011)

Vote: Immigration	2010/11 (\$000)	2011/12 (\$000)	2012/13 (\$000)	2013/14 (\$000)	2014/15 (\$000)
Share Allocation	0	0	0	0	0
Operating					
Baseline (2010/11 OBU)	220,790	205,646	206,365	207,007	205,990
Changes:					
Centralised Saving					
Total 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 Operating Baseline</b>	<b>220,790</b>	<b>205,646</b>	<b>206,365</b>	<b>207,007</b>	<b>205,990</b>

### Four-Year Budget Plan - Financial Summary Report (Capital 2011)

Vote: Immigration	2010/11 (\$000)	2011/12 (\$000)	2012/13 (\$000)	2013/14 (\$000)	2014/15 (\$000)
Capital					
Baseline (2010/11 OBU)	0	0	0	0	0
Proposals for new Capital Funding					
Refurbish/Replace					
Total Refurbish/Replace	0	0	0	0	0
Improve Functionality					
Total Improve Functionality	0	0	0	0	0
Meet Demand					
Total Meet Demand	0	0	0	0	0
Capital Associated with Operating Initiatives					
Total Capital Associated with Operating Initiatives	0	0	0	0	0
<b>Total Capital Proposals</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Total Proposed Capital Baseline</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

OBU 2010	2010/11 \$000	2011/12 \$000	2012/13 \$000	2013/14 \$000	2014/15 \$000
<b>VOTE: IMMIGRATION</b>					
<b>Departmental Output Expenses</b>					
Immigration Advisers Authority	2,945	2,724	2,719	2,726	2,715
Services to Increase the Capacity of New Zealand Through Immigration	200,365	187,825	188,511	189,022	188,085
Services to Position New Zealand as an International Citizen with Immigration-Related Interests and Obligations	16,395	15,045	15,006	15,051	14,982
<b>Total Fixed Baseline</b>	<b>219,705</b>	<b>205,594</b>	<b>206,236</b>	<b>206,799</b>	<b>205,782</b>
<b>Non-Departmental Other Expenses</b>					
RRB, RRA and RSAA Members' Salaries and Allowances	1,085	52	129	208	208
<b>Total Non-Departmental Other Expenses</b>	<b>1,085</b>	<b>52</b>	<b>129</b>	<b>208</b>	<b>208</b>
<b>Total Annual and Permanent Appropriations</b>	<b>220,790</b>	<b>205,646</b>	<b>206,365</b>	<b>207,007</b>	<b>205,990</b>

## Appendix 1: Vote Immigration Cost Pressures 2010/11 to 2014/15

	2010/11 \$000	2011/12 \$000	2012/13 \$000	2013/14 \$000	2014/15 \$000
<b>Cost Pressures</b>					
Remuneration cost pressures		3,164	6,442	9,788	13,200
CPI Impact and Capital Charge		1,542	3,107	4,695	6,306
Accommodation cost pressures		385	782	1,190	1,611
<b>Generic Pressures</b>		<b>5,091</b>	<b>10,331</b>	<b>15,673</b>	<b>21,117</b>
<b>[2]</b>					
Additional Visa Processing	800	1,420	1,420	1,420	1,420
Refugee & Settlement Services	250	670	670	670	670
Border Management		612	612	612	612
<b>Business Specific Pressures</b>	<b>3,850</b>	<b>2,702</b>	<b>2,702</b>	<b>2,702</b>	<b>2,702</b>
<b>Total Cost Pressures (cumulative)</b>	<b>3,850</b>	<b>7,793</b>	<b>13,033</b>	<b>18,375</b>	<b>23,819</b>
<b>Cost reductions</b>					
<i>CMIP and PREE</i>					
Changes to corporate support model (CMIP)		(489)	(489)	(489)	(489)
Corporate Cost reductions		(1,440)	(2,911)	(4,405)	(5,923)
Changes to policy, research and evaluation services (PREE)		(600)	(600)	(600)	(600)
<b>Total cost reductions from CMIP/PREE</b>		<b>(2,529)</b>	<b>(4,000)</b>	<b>(5,494)</b>	<b>(7,012)</b>
Business Specific cost reductions					
Cost reductions from New Service Delivery Model		(2,000)	(4,000)	(7,000)	(10,000)
One off cost reductions and reallocations	(2,800)				
Changes to Refugee & settlement services	(250)	(670)	(670)	(670)	(670)
Improved business processes and reduced operating costs	(800)	(2,594)	(4,363)	(5,211)	(6,137)
<b>Total Business Specific</b>	<b>(3,850)</b>	<b>(5,264)</b>	<b>(9,033)</b>	<b>(12,881)</b>	<b>(16,807)</b>
<b>Total Cost reductions (cumulative)</b>	<b>(3,850)</b>	<b>(7,793)</b>	<b>(13,033)</b>	<b>(18,375)</b>	<b>(23,819)</b>

Final decisions on the cost reduction initiatives and strategies will be subject to further discussions with the Department and agreement by Ministers.