



COVERSHEET

Minister	Hon Erica Stanford	Portfolio	Immigration
Title of Cabinet paper	Immigration Fee and Levy Review	Date to be published	9 August 2024

List of documents that have been proactively released		
Date	Title	Author
27 June 2024	Immigration Fee and Levy Review – final proposed rates ECO-24-MIN-0117 Minute	Cabinet Office
19 June 2024	Immigration Fee and Levy Review – final proposed rates	Office of the Minister of Immigration
2 May 2024	2324-2878 Immigration fee and levy review – targeted consultation report back	MBIE
2 April 2024	2324-2695 Targeted consultation material – Immigration fee and levy review	MBIE
2 April 2024	Immigration Fee and Levy Review	Office of the Minister of Immigration
27 March 2024	Immigration Fee and Levy Review ECO-24-MIN-0040 Minute	Cabinet Office
4 March 2024	2324-1491 Immigration fee and levy review proposed rates and draft Cabinet paper	MBIE
1 February 2024	2324-1757 Further information on refugee support activities and reallocating ESOL costs	MBIE
31 January 2024	2324-1685 Options to address refugee and protected person claim processing challenges	MBIE
21 December 2023	2324-1069 Further advice on fiscal sustainability options for the immigration system	MBIE
27 November 2023	2324-0932 Fiscal sustainability options for the immigration system	MBIE

Information redacted

YES

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 reasons of international relations; confidential advice to government; legal professional privilege; negotiations; confidentiality; free and frank opinions; maintenance of the law; confidential information entrusted to the government; and privacy of natural persons.



Cabinet Economic Policy 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 Fee and Levy Review

Portfolio Immigration

On 27 March 2024, the Cabinet Economic Policy Committee:

Achieving a fiscally sustainable immigration system

- 1 **noted** that the Government's priority to have an efficient, self-funding immigration system, including shifting to a more fully user pays system, can be achieved by returning Crown funding provided to subsidise visas and increasing recovery of costs (including cost pressures) from users of the immigration system through adjusting fee and levy rates;

Removing Crown-funding to subsidise visas

- 2 **noted** that in 2022, as part of the fee and levy review, the previous government agreed to subsidise some visas totalling approximately \$19.549 million per annum [CAB-22-MIN-0121];
- 3 **noted** that visa volumes have rebounded quicker than forecast and the immigration fees memorandum account is in a surplus position, meaning the need for Crown funding is reduced because fees can cover the cost of visa processing;
- 4 **agreed in principle**, subject to final Budget 2024 decisions, to remove Crown funding of \$18.382 million per annum to subsidise fees and levies provided for in the 2022 fee and levy review;
- 5 **noted** that the Budget 2024 Cabinet paper will seek to include the above changes to contribute towards Budget 2024 operating allowances;

6 **noted** that a decrease in revenue Crown and corresponding increases in third-party revenue (visa fees and the immigration levy) to account for the removal of Crown funding for price subsidies for selected visa products above would have the following impact on the operating balance and net debt:

	\$m – increase/(decrease)				
	2023/24	2024/25	2025/26	2026/27	2027/28 & Outyears
Operating Balance and Net Debt Impact	-	(18.401)	(18.375)	(18.445)	(18.307)
Operating Balance Only Impact	-	-	-	-	-
Net Debt Only Impact	-	-	-	-	-
No Impact	-	18.401	18.375	18.445	18.307
Total	-	-	-	-	-

7 **noted** that the change in revenue sources noted in paragraph 6 above will have no impact on the total amount of appropriated spending, but will change the mix of funding sources across the Assessment and Processing Services category of the Immigration Services Multi Category Appropriation, as follows:

	\$m – increase/(decrease)				
	2023/24	2024/25	2025/26	2026/27	2027/28 & Outyears
Assessment and Processing Services					
Revenue from fees	-	4.152	4.126	4.196	4.058
Revenue from levy	-	14.249	14.249	14.249	14.249
Revenue from the Crown	-	(18.401)	(18.375)	(18.445)	(18.307)
Total Revenue	-	-	-	-	-

8 **noted** that the removal of Crown subsidies ahead of increasing fees and levies will worsen the fee and levy memo/hypothecation accounts and that the final fee and levy review decisions in mid-2024 are intended to rebalance the accounts over a four-year period;

Reallocating more Crown costs to users

9 **agreed in principle**, subject to final Budget 2024 decisions, that users of the immigration system fund the current Crown costs and future cost pressures based on the principle that those that receive the benefit or create the risk should bear the cost of those services, comprising of:

9.1 \$72.9 million per annum of immigration system activities (\$86.1 million including cost pressures);

9.2 \$41.3 million per annum for ESOL (English for Speakers of Other Languages) programmes in schools (\$58.1 million including cost pressures);

10 **noted** that the upcoming Budget 2024 Cabinet paper will seek to include the above changes to contribute towards Budget 2024 operating allowances;

Increasing fee and levy rates

- 11 **noted** that increases to fee and levy rates, as set out in Annex Two under ECO-24-SUB-0040, are required to give effect to paragraphs 1, 4 and 9 above;
- 12 **noted** that some changes to the Accredited Employer Work Visa (AEWV) are being considered as part of related policy work and any changes will be included as part of the package of final proposals;
- 13 **agreed** to continue to subsidise the Pacific-related visas at a cost of \$1.167 million per annum;
- 14 **agreed** to targeted consultation with key stakeholders in April 2024 on increases to fee and levy rates;
- 15 **authorised** the Minister of Immigration to approve the targeted consultation material;
- 16 **invited** the Minister of Immigration to report back to ECO in mid-2024 following targeted consultation to seek agreement to final proposals on fee and levy rates, with updated rates taking effect in late September 2024;

Managing immediate cost pressures facing the immigration system**Repurposing a Crown-funded tagged contingency**

- 17 **noted** that Budget 2023 provided a tagged operating contingency “Immigration Portfolio – Cost Pressures” of \$16.9 million across 2024/25 and 2025/26 to maintain visa processing in the event that fees revenue is insufficient to cover costs due to uncertainty about visa volumes following the border reopening [CAB-23-MIN-0139];
- 18 **noted** that the Ministers of Finance and Immigration agreed to extend the expiry date for the tagged contingency from 1 February 2024 to 30 June 2024 to enable consideration of how to address immigration Crown-funded cost pressures in the context of the fee and levy review;
- 19 **agreed** to drawdown and repurpose \$14.881 million of the Immigration Portfolio – Cost Pressures Tagged Operating Contingency to fund:
- 19.1 resources to manage a surge in asylum claims for 2023/24 (\$1.3 million);
- 19.2 delivery of the refugee quota and related programmes for 2023/24 (\$1 million) and a further two financial years (\$12.581 million);

20 **approved** the following changes to appropriations to provide for the decision in paragraph 19 above, with a corresponding impact on the operating balance and net debt:

Vote Labour Market Minister of Immigration	\$m – increase/(decrease)				
	2023/24	2024/25	2025/26	2026/27	2027/28 & Outyears
Multi-Category Expenses and Capital Expenditure: Immigration Services Multicategory Appropriation (MCA)					
Departmental Output Expenses: Settlement and Integration of Refugees and Other Migrants (funded by revenue Crown)	2.300	6.331	6.250	-	-
Total Operating	2.300	6.331	6.250	-	-

21 **agreed** that the changes to appropriations for 2023/24 above be included in the 2023/24 Supplementary Estimates and that, in the interim, the increases be met from Imprest Supply;

22 **agreed** that the expenses incurred under paragraph 20 above be charged against the Immigration Portfolio – Cost Pressures Tagged Operating Contingency;

23 **noted** that, following the adjustment in paragraph 20 above, the remaining balance of \$2.019 million will be returned to the Centre, and the tagged contingency will be closed;

24 **noted** that the Ministry of Business, Innovation and Employment will report back to the Ministers of Finance and Immigration on the benefits from recent investments in automation by the end of 2024;

Use of levy funding to manage levy-funded cost pressures

25 **agreed** to use \$5.0 million of immigration levy funding for 2023/24 to fully resource the immigration compliance and investigation function;

26 **agreed** to increase spending to provide for costs associated with the decision in paragraph 25 above, with the following impacts on the operating balance and net debt:

Vote Labour Market Minister of Immigration	\$m – increase/(decrease)				
	2023/24	2024/25	2025/26	2026/27	2027/28 & Outyears
Operating Balance and Net Debt Impact	-	-	-	-	-
Operating Balance Only Impact	-	-	-	-	-
Net Debt Only Impact	-	-	-	-	-
No Impact	5.000	-	-	-	-
Total	5.000	-	-	-	-

- 27 **approved** the following changes to appropriations to provide for the decision in paragraph 26 above:

Vote Labour Market Minister of Immigration	\$m – increase/(decrease)				
	2023/24	2024/25	2025/26	2026/27	2027/28 & Outyears
Multi-Category Expenses and Capital Expenditure: Immigration Services Multicategory Appropriation (MCA)					
Departmental Output Expenses: Integrity and Security of the New Zealand Immigration System (funded by revenue Crown)	5.000	-	-	-	-
Total Operating	5.000	-	-	-	-

- 28 **agreed** that the changes to appropriations for 2023/24 above be included in the 2023/24 Supplementary Estimates and that, in the interim, the increases be met from Imprest Supply;
- 29 **noted** that the increased funding through revenue Crown is considered fiscally neutral as it will be managed against the Immigration Levy hypothecation account, and is intended to be recovered from levy payers over time through higher levy rates;
- 30 **noted** that as part of the quarterly financial reporting to the Ministers of Finance and Immigration, the Minister of Immigration has directed Immigration New Zealand to also provide regular updates on headcount, efforts to improve efficiency and the productivity per visa product, and any associated savings.

Rachel Clarke
Committee Secretary

Present:

Rt Hon Christopher Luxon
Rt Hon Winston Peters
Hon David Seymour
Hon Nicola Willis (Chair)
Hon Brooke van Velden
Hon Shane Jones
Hon Chris Bishop
Hon Erica Stanford
Hon Judith Collins
Hon Mark Mitchell
Hon Todd McClay
Hon Tama Potaka
Hon Melissa Lee
Hon Penny Simmonds
Hon Chris Penk
Hon Andrew Hoggard
Hon Mark Patterson
Simon Court MP

Officials present from:

Office of the Prime Minister
Ministry of Business, Innovation and Employment
Officials Committee for ECO