

1. Portfolio overview: Immigration

KEY ISSUES

TARGETS AND PRIORITIES

EXPENDITURE BY TYPE

[This could include existing reviews, transformation programmes, risks to delivery etc, that EXP need to be aware of.]

The immigration system makes a significant contribution to New Zealand's society and economy. The immigration work programme is ambitious and MBIE has limited capacity. We need to strike the right balance between timeframes, cost (which are primarily fixed; FTE and ICT) and risk tolerance. This requires intelligent policy design, fit for purpose technology, and working across related portfolios.

Work is underway to ensure the immigration funding model is efficient, self-funding and sustainable.

In 2024 we reduced \$563 million of Crown funding for the immigration system. 91% of the immigration system is now cost-recovered through third party funding. Crown funding is primarily for delivering the refugee quota programmes.

The Crown funded refugee quota programmes have a \$5.6m pa cost pressure (due to increased international travel and medical assessment costs). To meet these, a Budget Bid is required. If the cost pressure is not addressed, we will need to reduce the annual number of refugees supported through the Quota and/or the level of settlement services provided.

MBIE will seek to manage third party cost pressures within baselines as much as possible by making informed trade-offs on cost, service delivery and risk.

We will continue to discuss your priorities and any trade-offs to deliver a fit-for-purpose immigration system and support the Government's fiscal objectives. Other key priorities include:

- Delivering a smaller, more cost-efficient and smarter immigration system that better manages risk and improves customer service through the *Our Future Services* technology and workforce investment programme.
- Reviewing temporary and residence work visa policies to ensure settings are simple, effectively identify and manage risk, and improve processing timeliness.

The Financial Management Plan (with quarterly financial and performance reporting to Ministers of Finance and Immigration) will support us to identify efficiencies and improve productivity.

Government targets

[What targets do you contribute to?]

<https://www.beehive.govt.nz/release/prime-minister-launches-government-targets>

Immigration does not have a specific Government target. Our work programme contributes to rebuilding the economy, delivering better public services and supporting the Government's Fiscal Sustainability Programme.

Strategic priorities

Immigration supports and required rationing trade-offs across multiple outcome areas:

Economic: supporting the flow of skilled workers, and export sectors like tourism, while balancing this with labour market opportunities for New Zealanders, improving productivity and managing infrastructure and public service pressures that migration brings.

Societal: supporting families to form and settle in New Zealand and contributing to a diverse and internationally connected culture.

International and humanitarian: supporting international relationships and upholding New Zealand's humanitarian obligations/commitments

National Security: keeping New Zealand and New Zealanders safe and secure from new and emerging security threats.

Portfolio priorities

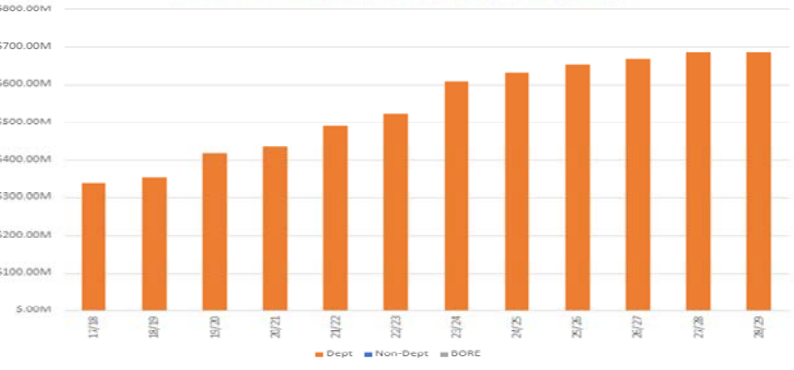
Rebuilding our economy: ensuring businesses have the labour and skills needed for growth and to enable greater productivity and innovation. This includes changes to the AEWW, the SMC to enhance residence pathways for skilled workers, the RSE scheme to reduce employer costs and modestly increase the scheme's size and to student visas to boost international education.

Delivering better public services to better manage immigration risks and deliver a more sustainable funding model. This includes: a fee and levy review, Our Future Services, a review of refugee and migrant resettlement services and changes to enhance border integrity and improve visa processing efficiency.

Attracting top talent and skills via immigration settings that facilitate highly skilled individuals to live, work and invest in New Zealand. This includes new visas to attract highly skilled people and change investor settings to attract more investment to New Zealand.

Advancing our international priorities with immigration settings that support our relationships with Southeast Asia, the Pacific and Australia. This includes changes to the RSE scheme and Working Holidays.

1.2 Departmental, non-departmental, and Benefit or Related Expenditure (BoRE) (\$m)



Recent changes in expenditure

[What has driven your biggest changes in expenditure in the last 4 years? (e.g. demographic, technological, third-party changes)]

Several factors have contributed to the increase in expenditure which is largely costs that are fixed workforce and ICT:

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- Offshore offices closed – which required expanding onshore offices.
- IT developments, such as the introduction of ADEPT and maintaining multiple systems.
- Delivering an increased Refugee Quota programme.
- Increase in asylum claims.

Expected changes in expenditure

[What do you expect to drive changes in expenditure in the next 4 years? (e.g. demographic, technological, third-party changes)]

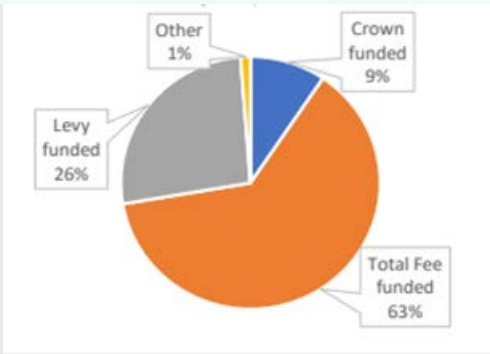
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Monitoring and funding of Crown companies or entities

Not applicable.

IMMIGRATION SYSTEM FUNDING SOURCES

- 1.1
- **Immigration fees** primarily fund visa decision-making and NZeTA requests
 - **The immigration levy** funds specified activities such as maintenance costs of the immigration system, including system infrastructure, managing risk and compliance, the attraction and settlement of migrants
 - **Crown funding** is primarily for refugee programmes, including settlement and a small amount of policy advice.



2. Portfolio overview: Current specific fiscal risks, workforce, and third-party revenue

SPECIFIC FISCAL RISKS

Title / Description	Amount and Probability	Mitigations
No specific fiscal risks have been identified since BEFU 2024		

WORKFORCE

2.2 Drivers and implications of change(s) in FTE

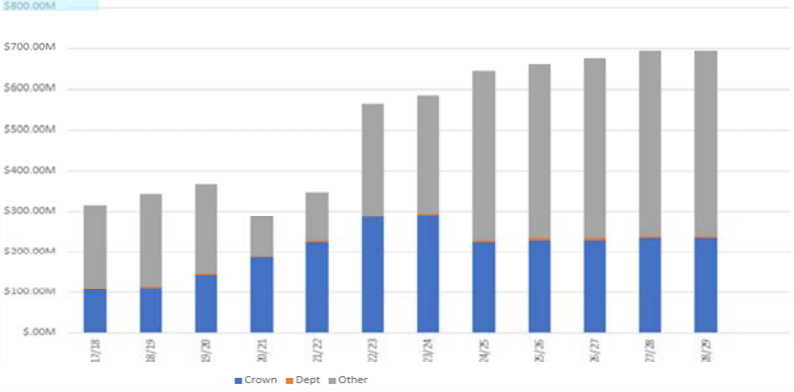
[What is driving changes in FTE in your portfolio?]

2024 -2029 drivers and implications of change in FTE:

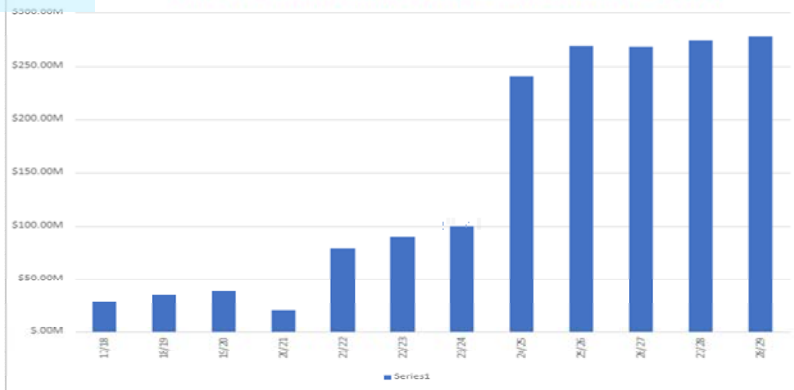
- Affordability - The decline in the INZ workforce (9% or 213.8 FTE) is based on fiscal constraints and realigning the workforce to the new budget, as resourcing to demand is not fiscally sustainable
- Productivity - INZ is driving productivity increases through the new performance management framework, in addition to introducing success measures across all visa products. ICT enhancements are anticipated through the implementation of Our Future Services, which will automate some aspects of visa processing and reduce FTE
- Operating Model - INZ will be reviewing the operating model to drive efficiencies and maintain service delivery/processing timeframes
- Responding to Policy / Government changes - ie responding to demand following the border reopening
- Demand for visas – when faced with higher demand for visas, either more FTE is required to process visas (and in other areas such as compliance) or there will be longer processing times
- INZ is analysing how it responds to policy changes made under short timeframes to ensure new policy is implemented effectively, while ensuring the workforce remains affordable.

DEPARTMENTS WITH THIRD PARTY REVENUE (INCLUDING TAX, FEES, LEVIES, EXCISE, DUTIES AND CHARGES)

2.1a Departmental Revenue (\$m)



2.1b Non-departmental revenue and receipts (\$m)



Scenarios that could impact third-party revenue

Scenarios	Incidence in last 10 years	Likely in next 10 years?
[Specific Fiscal Risks (list any current risks related to third party revenue as outlined in latest EFU)]		
[Risk 1] Decrease in demand following increases in fee & levy prices	No	No
[Risk 2] Global pandemic event closes / significantly reduces visa volumes and revenue	Yes	No
[Risk 3] Increasing cost pressures that required adjustments to third party revenue (limited discretionary spend options, impacts on service levels)	Yes	Yes
(Scenario 1) Tighter policy settings (e.g a cap on a visa category) reduces visa demand and revenue	Yes	Yes
(Scenario 2) Competitor countries visa policy settings/labour market are more attractive which reduces visa demand and revenue	Yes	Yes
(Scenario 3) A global economic recession impacts people's ability to travel which significantly reduces third party revenue	Yes	Yes

Activities funded by third-party revenue and when were they last reviewed

Activity name	% User funded	Date last reviewed	Date next reviewed	Material under or over recovery	Key performance measure and 2023/24 performance
An immigration fee and levy review was completed in 2024. The scope of the review involved setting new immigration fee and levy rates to reduce Crown funding in the immigration system and better recover costs from users of the system.					
The majority of immigration system activities (eg visa processing, compliance, migrant attraction) are now third party funded (either fee or levy). The Crown funds 9% of immigration system activities, primarily delivery of the refugee quota programmes.					

DRIVERS OF COST PRESSURES AND INITIATIVES FOR MANAGING WITHIN BASELINES

4.1	Operating impact \$m increase, (decrease)					
	2017/18	2024/25	2025/26	2026/27	2027/28	2028/29
Total baseline*	339.64	633.38	652.33	667.53	685,92	685,92
Operating baseline	339.64	633.38	652.33	667.53	685,92	685,92
Total volume pressures	-	-	-	-	-	-
Total price pressures	-	-	-	-	-	-
Total wage pressures	-	9.99	17.53	24.74	32.08	39.56
Total other pressures	-	1.77	5.91	11.82	12.32	13.41
Total cost pressures	-	11.75	23.44	36.56	44.39	52.96
Total reprioritisation/ savings	-	11.75	23.44	18.04	19.04	21.22
Net impact on baseline	-	-	-	5.6	5.6	5.6

*includes all operating (departmental, non-departmental, Benefits or Related Expenses and revenue dependent appropriations). Benefits or Related Expenses and revenue dependent appropriations are removed in the operating baseline.

Summary of cost pressures:

- [What are the critical cost pressures that are driving costs in the forecast period above? What are the risks of not managing these pressures? How much of your cost pressures is driven by new Budget 2024 initiatives?]
- Delivery of the Refugee Quota programme and Refugee Family Support Category.** These cost pressures primarily relate to third party costs (international flights and offshore medicals that are non-discretionary), Identity services **volume driven cost pressures – there would be service level implications.**
- MBIE remuneration increase (Wage pressure):** This cost pressure relates to forecast remuneration increases for MBIE staff. Costs are estimates only as Bargaining is still underway. The INZ fee and levy review included a 5% wage pressure assumption and therefore we expect to cover the wage cost pressure through the increase in third party.
- Other MBIE-wide cost pressures (Price pressures):** These cost pressures relate to enablement delivery services such as increase in property lease costs, as well as rising costs related to maintaining IT and digital infrastructure. The fee and levy review provisioned for non-workforce inflationary pressures which may cover these cost pressures.

Plan for managing within baselines (Table 4.1)

- [How are you planning on managing savings and cost pressures in the next four years to live within set baselines (including considering revenue raising options)? *This should include all current savings measures and the trade-offs required, e.g. Budget 2024 savings.]

Area	Impact					Description
	24/25	25/26	26/27	27/28	28/29	
Refugee Quota programmes			5.6	5.6	5.6	MBIE will prepare information to submit a Budget bid in 2025 which will outline choices for Ministers regarding the annual Quota numbers and settlement service offerings. These options can also inform advice to Ministers on the three-year Quota programme. MBIE will also look for savings within the Crown-funded refugee and migrant service programmes.

4.2

FUTURE DRIVERS

Inflationary pressures: MBIE is facing increased costs of labour, technology and other factors but is limited in how much it can raise prices it charges to third parties/consumers

MBIE operating model: Choices made at the centre effect immigration portfolio costs because of the cost allocation model (immigration makes up a significant portion of MBIE’s workforce)

Demand for visas: increasing demand for visas and migrant and refugee services due to migration trends, and factors like geopolitical and climate change put pressure on the immigration system. Other countries’ settings also impact demand for visas as well as the relative attractiveness of New Zealand

Technology change: the development and adoption of new technologies, such as artificial intelligence, robotics and blockchain, bring new opportunities and challenges for government, particularly border agencies

Policy and system change: while there is baseline capacity for some policy and system change, any additional change puts pressures on costs/resource.

Choices to mitigate/manage long term pressures

Policy that causes demand or demand driver	Options to manage this?	Lead time required to make changes?
Immigration policy changes that require ICT system change	Baseline capacity review	TBC – being working through.

4. Portfolio Managing within baselines: Workforce and capability

Strategy for workforce costs, including remuneration

[Please provide a description of your plan to manage workforce costs]

Future Services will accelerate the development of a digitally enabled immigration system service model. This will put all visa products on a single submission and processing platform, decommission old technology systems, and enhance immigration risk management practices. It will deliver a smaller, more cost-effective immigration system that is more productive, more effective at managing immigration risk, and provides a better experience for customers and staff.

The outcomes of the programme are:

- *improved efficiency of services* – improving productivity and reducing costs through a single digital submission and processing channel and automation
- *improved identification and management of immigration risk* – implementing smart systems to help predict, identify, mitigate and manage risk sooner
- *improved systems agility to address changes in context* – increasing ability to respond to change quickly, including policy implementation and critical business change
- *improved experience for customers and staff* – designing with customers in mind to provide more self-service options and ensure they are well informed about what they need to do.

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ADEPT has shown proven results in increasing visa processing efficiency. Resident Visa 2021 (RV21) was introduced in two phases, with the second phase launched on ADEPT in March 2022, with automation for lodgement and some mandatory checks enabling efficient processing. 80% of RV21 applications were processed within 15 months, three months faster than the processing goal set. At the end of January 2024, the Permanent Resident Visa (PRV) was made available in ADEPT, removing paper applications and automating some processing tasks. This has enabled an 190% increase in the number of visa application decisions made each day, reducing the median processing time from 14 days (January 2024) to 4 days (August 2024).

Capability – non-workforce (e.g. organisational systems, processes, governance, technology and data)

[What capability does your department need to deliver on government priorities and your needs over the medium term? How will you get there? What are the risk and issues and how are you managing them?]

- The immigration system is complex, with complex policies and processes, multiple visa types with a wide range of eligibility criteria, and differing levels of risk and verification requirements. Further complexity is added through our reliance on multiple submission and processing platforms, some of which are not fit-for purpose and are out of date. We lose efficiency through our reliance on manual work, putting additional pressure on the immigration system.
- We can increase productivity and make cost savings by moving to a single submission and processing channel and decommissioning legacy systems.
- Adopting a digital-first approach and leveraging automation capabilities will further improve our productivity. Simplified policy settings will also reduce complexity and improve productivity.
- Several of our platforms are at the end-of-life stage and are difficult to maintain. We have frequent outages and slow performance that affects productivity. We will need to invest significantly if we are to keep using legacy systems in order to manage the risk of system failure. By reducing our reliance on multiple platforms and streamlining to a single cloud-based system, we can respond quicker and more effectively as demands on the immigration system change. We will also unlock a more flexible approach to service delivery, so we are no longer reliant on increasing staff numbers to increase processing capacity.
- International travel is forecast to continue to grow, with customers coming from increasingly diverse backgrounds and routes. This makes risk management more demanding. However, we are still operating with legacy platforms and approaches to risk management that were not designed with this complexity in mind. Our risk rules are often blunt, and many are updated reactively.
- We need to invest in new capability to enable an intelligence-led visa processing model that is supported by enhanced data analytics. While we have a vast amount of data within the immigration system, we need to ensure this is easily accessible and connected across the system and with relevant agencies. We need to build the capability to predict and mitigate risk, based on agreed data formatting, well-integrated intelligence and outcomes, and data and information sharing arrangements.
- Our Future Services will drive our future capability by reducing technology costs and improving the efficiency of processes and effectiveness of our workforce. It includes the migration of further visa products to ADEPT, decommissioning of legacy systems and implementing new tools and capabilities to help predict, identify and mitigate risk at the earliest available opportunity, as well as keep up with technological advances.
- The intent is to invest now to accelerate the work, reduce risk, save money, and deliver additional benefits faster. As a result, it will be quicker to respond to changes in policy, volumes or risk, and make it easier for customers to do the right thing.
- We will create a smarter, leaner and more productive immigration system. We will make better use of automation, removing manual tasks and enabling our people to focus on work that requires specialist judgement and intervention. This will reduce our reliance on recruiting more staff to manage increases in visa application volumes and ensure we can maintain service standards and risk management when application volume spikes occur.
- Our changes will drive efficiencies across the immigration system by reducing the number of calls and emails to our Customer Service Centre and increasing the number of visa processing decisions that can be made in a day.