

Stage 2 Cost Recovery Impact Statement

Citizenship Fees Review 2025

Agency Disclosure Statement

This Cost Recovery Impact Statement (CRIS) has been prepared by the Department of Internal Affairs (the Department). It provides an analysis of fee options that seek to enable the ongoing cost recovery of providing Citizenship services and products.

The scope of the fee review is limited to updating existing citizenship fees only.

The CRIS discusses the pricing model used by the Department to inform fee reviews. Fee reviews have previously been completed every 3 years, and will now be completed every 2 years going forward. The expenses and revenue forecasts are informed by a range of contributing factors and modelled over a 10-year period. In forecasting, the pricing model considers:

- The range of citizenship services provided and the fee for those services
- Information on the steps required to provide the services and the cost of those actions
- The fixed and variable cost the Department expects to incur over the forecasting period
- Treasury forecasts of changes in the Consumer Price Index and wage growth
- Forecast demand for each product or service (including citizenship by grant applications).

The pricing model forecasts were used to determine options that will achieve the fee review objectives. The forecasts have an underlying assumption that around 65% of all (permanent) residence visa holders will apply for citizenship by grant, which is based on past Department data of the rate visa holders apply for citizenship. The Department also acknowledges that the forecast is unable to account for unknown savings or costs not yet identified.

The analysis in this CRIS draws on the cost recovery principles and guidance from the Treasury and the Office of the Auditor-General, and section 28(2) of the Citizenship Act 1977. It also considers the immediate impact of options on affordability of citizenship services within the current cost-of-living crisis. Analysis is constrained by having no consultation to inform it.

9(2)(f)(iv), 9(2)(g)(i)

• 9(2)(f)(iv), 9(2)(g)(i)

• 9(2)(f)(iv), 9(2)(g)(i)

Agreement from Cabinet on the final proposal for updated fees will permit the drafting of amended fees regulations by the Parliamentary Counsel Office (PCO) and the Department. The Cabinet Legislation Committee will then be asked to approve the amended regulations, subject to consideration by the Executive Council and the Governor General.

This CRIS will be published on the Department's website.

Department of Internal Affairs Quality Assurance Panel Statement

The Department's Regulatory Impact Analysis (RIA) panel (the panel) has reviewed the 2024 – 25 Citizenship Cost Recovery Fees Review (CRIS) in accordance with the quality assurance criteria set out on the Ministry for Regulation website.

The panel members for this review were:

- 9(2)(g)(ii), Principal Policy Analyst (Chair)
- 9(2)(g)(ii), Senior Policy Analyst (Member)
- 9(2)(g)(ii), Senior Policy Analyst (Member)
- 9(2)(g)(ii), Senior Policy Analyst (Secretariat).

The panel considers that the information and analysis summarised in the CRIS *partially meets* the quality assurance criteria.

The panel felt the CRIS does a good job of setting out the background and context for the proposed fee increases, including the limitations and consequent inadequacy of the 2021 fees review. A range of options for balancing the Memorandum Account by 2033 are described and assessed against objectives based on sustainability, equity, and affordability in the context of the current cost-of-living crisis. A justification is provided for the inclusion of the short-term affordability criterion, despite the non-essential nature of urgent access to citizenship services 9(2)(f)(iv), 9(2)(g)(i).

The assessment would be more convincing if consultation had been undertaken on the different options for returning to full cost recovery. 9(2)(f)(iv), 9(2)(g)(i)

9(2)(g)(ii)

Chair of the Department of Internal Affairs' RIA panel

03/09/2025

Executive summary

The Department of Internal Affairs (the Department) provides a range of citizenship services under the Citizenship Act 1977 and the Citizenship (Western Samoa) Act 1982. The cost of providing these services is managed and funded through the Memorandum Account, with the fees individuals pay for these services being the sole source of revenue.

Citizenship fees are prescribed in the Citizenship Regulations 2002. In 2003, a fee review found that costs for providing citizenship services were exceeding the revenue from fees, and the Memorandum Account was in deficit. This resulted in an increase to all citizenship fees. The Memorandum Account moved into a surplus balance in 2007 and has remained in surplus for every 3-year review since. No fee increase was sought following the most recent fee review in 2021, as the surplus could continue absorbing increased costs until at least the next fee review. However, the 2021 review had limitations, and the timing meant several cost drivers were unknown until after the review and were unable to be factored into the forecast.

The current fee review began in late 2023/early 2024 and has continued through to this year. The review found that the cost of providing citizenship services has continued to increase, and the cost is no longer met by the revenue from the current fees. It also found that the Memorandum Account is now showing a deficit of (\$9.240 million) as of June 2025,¹ so there is no longer a surplus balance to absorb these cost increases.

The objectives the Department set for this fee review are to return the Memorandum Account to a neutral balance within a 10-year period from the start of this fee review (by 2033), minimise impact on citizenship services affordability during the next year (in the cost-of-living crisis), and to set equitable and reasonable fees. The 10-year forecast for the Memorandum Account developed with the Department's pricing model helped to inform fee options pursuant to these objectives.

9(2)(g)(i), 9(2)(f)(iv)

- 9(2)(f)(iv), 9(2)(g)(i)

- 9(2)(g)(i), 9(2)(f)(iv)

9(2)(g)(i), 9(2)(f)(iv)

The fees in the Schedule of the Citizenship Fees Regulations 2002 will need to be amended to give effect to the proposed increase. To ensure that the refunds available for citizenship by grant under regulation 18A remain in proportion to the fees (as they are specified in dollar amounts), the Department is seeking to amend the regulation. The proportion of fee available to be refunded (two-thirds of the original fee) will not change. The regulation is proposed to be amended for the refunds to be either to be a percentage of the fees (67%) or the updated dollar amounts that reflect two-thirds of the (proposed) increased fees (GST exclusive).

The Department is confident in implementing the fee increases in the system and managing the announcements of fee increases, to ensure there are not resourcing issues and processing delays from a spike in applications before the increase takes effect.

Fees will next be reviewed again in 2027, in accordance with the updated 2-yearly review cycle. One of the objectives of this fee review is to recover the deficit over a 10-year period. The Department acknowledges that a long-term forecast is subject to change where additional costs or savings arise, or if demand for services change. Reviewing every 2 years rather than 3 will enable the Department to produce updated forecasts more frequently and monitor whether this objective remains on track. If not, the fee review can seek changes to fees accordingly.

¹ Noting that this number has not yet been subject to audit. The last audited balance was a deficit of (\$0.282 million) as of 30 June 2024.

Status quo

1. Citizenship is an important facilitator of identity, belonging and social cohesion. It helps to provide a common link between different ethnic, cultural and other social groups in New Zealand, and brings people together as community.
2. New Zealand citizenship also bestows several privileges and responsibilities. Citizens have the freedom to live, work and study in New Zealand indefinitely, hold a New Zealand passport, and participate in democratic processes. In return, citizens must follow New Zealand law and pay taxes.
3. A person may obtain New Zealand citizenship by birth, descent or grant. The Department of Internal Affairs is empowered to provide citizenship services and products by the Citizenship Act 1977 (the Act) and the Citizenship (Western Samoa) Act 1982. Additionally, section 28(1)(i) of the Act empowers the fees associated with the provision of these services to be prescribed in secondary legislation.
4. Fees enable the Department to fund the requirement that New Zealand citizenship status is formally recognised, conferred and recorded. Section 28(2) of the Act also requires the fees set to be reasonable and have regard to the costs and expenses incurred and borne in respect of the matter for which the fee is payable. Citizenship services are considered a private good, so fees have been set up to operate on a full cost recovery basis. Those who are receiving the sole benefit of citizenship services and products should pay for the full cost associated with providing those services. However, there is public good in those services still being reasonably priced, and efficiencies in processes should be prioritised.

Reviews of cost recovery charges

5. The Citizenship Regulations 2002 set out the current prescribed fees in the Schedule. The 11 citizenship services and their associated fees may be found at **Table 1, Annex A**. Fees are set up relative to each other based on the costs associated with each service.
6. Citizenship fees provide the sole revenue for the Department's Citizenship Products Memorandum Account (the Memorandum Account), which manages and funds all expense associated with providing citizenship services. Full cost recovery policy applies to all citizenship services.

Previous fee reviews

7. All citizenship fees were last increased in September 2003. This was necessary due to the expenses for providing citizenship services exceeding the revenue available in the Memorandum Account. As of 30 June 2003, the Memorandum Account had a closing deficit balance of (\$3.264 million). This fee increase sought to address the deficit over a five-year period, and the account eventually moved into surplus in 2007.²
8. Fees have since been reviewed by the Department every 3 years, in line with best practice fee recovery guidelines from Treasury and the Office of the Auditor-General (AOG). These reviews have shown that the costs for providing citizenship services have

² We are limited by information available from this time, but can presume the intention was not to increase costs far beyond the value of the services so as to achieve this ongoing surplus (as this is not in line with cost recovery). They were likely increased to ensure they aligned with the value of the service as far as possible, and recovered the deficit. The resulting surplus was likely due to increased demand for services or other reduced costs that were not factored in at the time.

been increasing overtime, largely driven by inflation (as measured by the Consumer Price Index (CPI)). However, these cost increases were managed and absorbed by the Memorandum Account surplus balance resulting from the 2003 fee increases. The Department has therefore not sought increases to fees.

9. The last review was completed in June 2021, revealing that the Memorandum Account was still in surplus of \$9.893 million. Historical expenditure trends and the 10-year forecast from this review indicated that the account would remain in surplus until the next fee review (2024), with any potential deficit in the 10-year forecast estimated to be negligible. The Account was forecast to still be in surplus until the next fee review. Fee increases were not pursued by the Department on this basis and were deferred for consideration in the next fee review.
10. There were significant limitations of this 2021 review and the forecast it produced, largely due to the timing of the review and the resourcing available in the Department. Additional expenses associated with providing citizenship services were unknown at the time of the review and became apparent after, meaning these expenses were not factored into the forecast. This included:
 - Hiring additional staff to process and reduce a backlog of citizenship by grant applications³;
 - Increases in general operating costs (including property, IT, equipment);
 - The replacement of a fully depreciated and out-of-support core IT system with a new cloud-based system (still ongoing); and
 - The introduction of the new 2021 Residency Visa in September 2021. The Department did not know this visa would be introduced at the time of the June 2021 fee review, so was unable to consider whether future costs associated with processing a spike in the resulting citizenship by grant applications (from 2026) warranted a fee increase at this time (this issue is explored more at **paragraphs 35 – 39**).
11. Once these additional cost drivers became apparent the review was not reopened, and an updated forecast of expenses and revenue was not produced. Department resourcing in the identity product space was focused on processing the backlogs of passports (following the reopening of the border after Covid-19 closures) and citizenship applications. Any consideration of fee increases remained deferred to the next fee review.

The 2024 – 2025 fee review

12. The Department began reviewing the citizenship fees again in late 2023 through to 2024. As of June 2024, the balance of the Memorandum Account was a deficit of (\$0.282 million). The Minister decided to finish progressing the review in 2025 following the completion of the passport fees review. As of June 2025, the unaudited balance of the Memorandum Account as of June 2025 is now a deficit of (\$9.240 million).
13. As with previous reviews, this review found that the costs for providing citizenship services have continued to increase. An analysis of expenses shows that, over the

³ In 2020/21 there were 14,536 adult grants and 2,331 child grants, in 2021/22 24,470 adult grants and 2,687 child grants, and in 2022-23 there were 36,298 adult grants and 5,332 child grants.

previous 10-year period from 2015/16 – 2024/25, citizenship expenses incurred by the Department have increased by 143 percent. This is an increase from \$12.429 million to \$30.254 million. By contrast, revenue has only increased by 39 percent (due to increased demand for services), from \$15.332 million to \$21.296 million. A per-year table of expenses, revenue and the impact on the balance of the Memorandum Account can be found in **Table 2, Annex A**.

14. Multiple cost increase drivers were identified as contributing to the increase over the past 10 years. This includes the first three bullet points referred to in **paragraph 10**, as well as the CPI increase of 33 percent, and worker wage increases (with an all-time high increase of 4.50 percent occurring in the first quarter of 2023).⁴

Problem with the status quo

15. The revenue from the fees alone no longer covers the full cost for providing citizenship services. Now that the Memorandum Account is in deficit, there is no surplus balance to absorb the impact of the cost increases that have occurred over time.
16. The Department has forecast that the deficit balance of the Memorandum Account will increase to (\$115.172 million) over the next 10-years under the current fees. The Department will support short term deficits from its balance sheet until the Memorandum Account returns to full cost recovery. The expectation from Treasury guidelines is that deficits from Memorandum Accounts are met from the agency's balance sheet.

Cost Recovery Principles and Objectives

Principles

17. The principles underpinning citizenship fees are informed by Treasury and OAG fee guidelines, as well as the requirements of the Citizenship Act. The fees should be:
 - **Reasonable:** section 28(2) of the Citizenship Act denotes that every fee prescribed by or under regulations shall be reasonable, having regard to the costs and expenses incurred and borne by or on behalf of the Secretary in respect of the matter for which the fee is payable;
 - **Equitable:** those who benefit from citizenship services and products should meet the full cost of providing the service to them; and
 - **Sustainable:** fees must support the ongoing financial sustainability of services.

Objectives

18. The Department set objectives for this fee review that would enable any proposed options to be assessed for consistency with the citizenship fees principles above. The following objective was developed pursuant to the equitable and reasonable principles:
 - **Equitable and reasonable fees:** ensure that each person receiving the benefit of a citizenship service pays a fee that meets the full costs for providing that service.

⁴ [Labour market statistics: March 2023 quarter | Stats NZ](#).

19. Additionally, as noted in **paragraph 12**, the Memorandum Account is showing a deficit of (\$9.240 million) as of June 2025. The expectation from Treasury and AOG guidelines is for the balance of the Memorandum Account to trend towards zero over a reasonable period, and for deficits to be managed within a reasonable budgeting framework. The Department considers it reasonable to manage and recover this deficit over a 10-year period through fees.⁵ Recovering the deficit and returning to full cost recovery would illustrate that fees are supporting the ongoing financial sustainability of services (in line with the sustainable principle). The following objective has therefore been set:

- **Fiscal sustainability:** recover the deficit over a 10-year period, achieving a near-zero balance by June 2033.⁶

20. The third and final objective has been set in response to one of the Government's current priorities of addressing cost-of-living pressures. The cost-of-living crisis refers to the cost of everyday essentials rising faster than most people's income, in part driven by high inflation. Ipsos Aotearoa New Zealand reported earlier this year that New Zealanders expect little reprieve from the cost-of-living crisis for at least the next year.⁷

21. The rising cost of everyday essentials impacts on people's ability to afford other services (such as citizenship services). While not an everyday essential, applying for citizenship can still be of high importance to many people. A person's citizenship status can affect their sense of belonging and their legal rights and access to other essential services in New Zealand.

22. Affordability can be a barrier for applying for citizenship. The Department has therefore decided that for this fee review it is reasonable to consider which options would have the lowest immediate impact on affordability of citizenship services following any fee changes. With reference to the report that cost-of-living pressures are expected by New Zealanders to continue for at least the next 12-months (from March 2025), "immediate impact" refers to the impact in the first year following the fee review. This would therefore be assessing any fee increase proposed to take place in 2025. The objective set pursuant to this is:

- **Service affordability:** minimise the immediate impact of fee increases on affordability of citizenship services during the current cost-of-living crisis (over the next year).

Weighting the objectives

We consider fiscal sustainability should be weighted more heavily than the other objectives

23. As noted above at **paragraph 19**, the expectation from Treasury is that the balance of the Memorandum Account should trend towards zero over a reasonable period, and the

⁵ The Department notes that in 2003, the deficit was set to be recovered over a 5-year period. However, this was a smaller deficit, and it did result in over-recovery of costs (noting the resulting surplus still showing in 2021), likely meaning the fees were set higher than the cost of providing the services. We are limited by the availability of information from that time to better understand why this occurred. A 10-year recovery period is proposed instead to reduce the risk of over-recovery occurring again.

⁶ Options will be assessed against whether they can achieve this objective per the current 10-year forecast, and we acknowledge that a limitation of this review is that the forecast is subject to change (refer to **paragraphs 45 – 48**). However, seeking to recover the deficit over a 10-year period is the chosen approach for the reasons referred to in **paragraph 24**.

⁷ Report published in April 2025, 12-month period indicated from March 2025. Understanding Aotearoa New Zealand – Cost of Living Report 2025, Ipsos Aotearoa New Zealand ([Understanding Aotearoa New Zealand - Cost of Living Report 2025 | Ipsos](#)).

sole revenue for the Account is from citizenship fees. Recovering the deficit is therefore a necessary objective and is a core component of the cost increase modelling to inform the options considered in this review.

24. Recovering a deficit can conflict with equity as it concerns recovering historical costs from future service users, particularly if the revenue for the services is increased beyond the costs of the services. The Department considers managing and recovering the deficit over a 10-year period is reasonable and mitigates the equity conflict. It spreads the impact of recovering the deficit over those 10-years, meaning the cost of recovering the deficit can be shared between more users, and the costs for each user can be set lower than if the deficit needed to be recovered in a shorter period. Recovering beyond 10 years risks further unknown fluctuations in revenue and costs impacting on the forecast, significantly reducing the Department's confidence in the modelling of expenditure and revenue.
25. For the purposes of this fee review the Department has decided to weight the objective of recovering the deficit heavier than the objective of equitable and reasonable fees, as it is necessary that an option can enable the Memorandum Account to trend toward zero over this period, despite the conflict with equity.
26. The Department also considers that fiscal sustainability is a more critical objective than service affordability. An option should not propose a lower, more affordable fee increase if it means achieving a neutral balance by June 2033 is not possible.

We consider the objectives of service affordability and equitable and reasonable fees should be weighted equally

27. We have also considered weighting between the objectives of service affordability and equitable and reasonable fees. There are unavoidable trade-offs between these two objectives. A lower initial first increase with staged additional increases would better meet the service affordability objective by having a smaller fee increase during the cost-of-living crisis (in the next year). However, it would compare less favourably against the equitable and reasonable fees objective, as more of the costs would be loaded on to citizenship applicants who apply later in the 10-year period (this represents some cross-subsidisation).
28. Overall, we consider that these two objectives should be weighted equally. While equity is an important principle of cost recovery, we consider that addressing the current context of cost-of-living in a limited way (i.e. not deferring all costs to a later point, and looking at immediate impact only in the next year) in our options analysis is also reasonable. Weighting these two objectives the same will ensure the proposed options can be assessed equally against those objectives and the trade-offs illustrated to their fullest extent.

Overall weightings

29. Overall, we intend to weight the objectives: fiscal sustainability (**1.5x**); service affordability (**1x**); and equitable and reasonable fees (**1x**). While we consider fiscal sustainability is the most critical consideration, we think it only conflicts moderately with the other objectives. We therefore consider a moderate difference in weighting is appropriate.

Policy Rationale: Why a user charge? And what type is most appropriate?

30. A user fee remains appropriate due to citizenship services being considered a private good. The privileges received with New Zealand citizenship only directly benefit the person receiving that citizenship.
31. Citizenship services are not Crown funded, and the Department does not have an operational budget dedicated to fund these services. On average, from 30 June 2019 to 30 June 2024, 30,640 adults have applied for citizenship by grant each year and 10,726 persons have applied to register citizenship by descent. This is a small proportion of the New Zealand population using these services each year, with the population estimated at 5,348,600 by Stats New Zealand as of 30 September 2024.
32. Crown funding or Department funding would therefore result in the wider public funding a service that they are unlikely to ever receive benefit from. It is most equitable that those using and benefitting from citizenship services pay a user fee that recovers the full cost of providing the service. However, there is public good in providing access to citizenship services at a reasonable cost, so this must be considered for any proposed user fees.

The level of the proposed fee and its cost components (cost recovery model)

33. As noted, the cost of providing citizenship services is no longer able to be covered by revenue from current fees. The Memorandum Account is in deficit and therefore can no longer absorb the extra cost with a surplus balance.

The pricing model

34. The Department uses a pricing model to inform decisions on future fee adjustments and determine the fee settings needed to achieve cost recovery, and to recover the deficit. The pricing model involves forecasting both the expenses and revenue the Department expects from citizenship services over the next 10 years. These forecasts need to consider a range of contributing factors, including the expected demand for services.

The volume of applications

35. The volume of applications informs both the forecast of expenses and revenue expected over the next 10 years. This is a significant consideration in this particular fee review, specifically for citizenship by grant applications. Citizenship by grant applications account for around 70% of the volume of services provided, with all services and volume modelled in **Table 3, Annex 2**.
36. The number of citizenship by grant applications received yearly have previously tended to be consistent (see **Figure 1, Annex 2**). However, the Department has identified that a significant increase in citizenship by grant applications is expected from 2026, resulting from the 2021 Resident Visa Category (the 2021 Visa). This visa was open from 1

December 2021 – 31 July 2022 and provided a one-off residency pathway to enable some work visa holders to remain in New Zealand permanently.⁸

37. Immigration New Zealand report that 103,961 applications were approved, equating to 212,649 New Zealand residents.⁹ Entitlement to remain in New Zealand permanently is one of the requirements to qualify for citizenship by grant. From 2026 onward, holders of the 2021 Visa will have also fulfilled the qualifying time period and will be eligible to apply for citizenship by grant. The Department's data shows that around 65 percent of persons granted permanent residence go on to apply for New Zealand Citizenship.
38. Based on this data, the 2021 Visa will cause an estimated 260% increase in citizenship by grant applications from 2026 (with the assumption that this will span from 2026 – 2028), compared to the previously lower and consistent volume of applications. This increase is modelled in **Figure 1, Annex 2**.
39. The forecasted balance of the Memorandum Account accounts for the temporary costs of additional staffing, resource and operational supports to accommodate the increase in applications expected from the 2021 Visa. Recognising the need to have sufficient (but not excess) staffing numbers, the Department will need to consider employing persons on fixed-term roles as well as how to utilise a cross-skilled workforce to manage peaks, while carefully monitoring volumes and using staff attrition to reduce staffing levels over time.

The forecast of expenses and revenue over the next 10 years

40. Expenses associated with providing citizenship services can be organised into fixed costs, semi-variable costs, and direct operational costs:
- **Fixed costs:** GST, depreciation and capital charge;
 - **Semi variable costs:** accommodation, central ICT, telecommunications, production systems, central support costs and other operating costs) , and
 - **Direct operational costs:** direct resourcing (including personnel)¹⁰, identity support, branch enabling services, and agency costs.
41. The expenses have been broken down further and modelled in **Table 4, Annex 2**. The total estimated cost of these expenses over time, along with forecasted CPI increases and wage growth estimated by Treasury, were used to inform a forecast of expenses over the next 10-years.
42. Also incorporated into the forecast of expenses are some identified cost saving efficiencies. This includes exploring more savings from the use of technology to reduce call centre staff numbers, employing persons on fixed-term roles (where appropriate) to manage short-term increases in citizenship by grant applications, utilising a cross-skilled

⁸ The Visa was created in response to the uncertainty migrants faced during COVID-19 from closed borders and necessary changes to immigration settings, and sought to recognise the immense contribution migrants made to New Zealand during this time.

⁹ Published by Immigration NZ 13 June 2024 - [2021 Resident Visa :: Immigration New Zealand](#).

¹⁰ Personnel costs are primarily accounted for under direct operational costs. However, it is noted there is also some personnel support accounted for in semi variable costs, such as for central ICT and central support.

workforce to manage peaks, and carefully monitoring the volume of staff, using staff attrition to reduce staffing levels over time.

43. The sole revenue of the Department's Memorandum Account comes from citizenship fees. The forecast of revenue is therefore based on the forecast demand for each product or service and includes the expected sharp increase in citizenship by grant applications from the 2021 Visa.

Changes in underlying assumptions that may affect forecasting

44. It is acknowledged that this modelling has the assumption that around 65 percent of these 2021 Visa Holders will apply for citizenship, based on previous data trends of visa holders. It is possible the increase in citizenship by grant applications may be lower than modelled. However, this should not make a significant difference to the forecast. There would still be a spike in citizenship by grant applications compared to previously consistent application numbers, even with a more modest estimation of how many 2021 Visa holders may apply.

Unknowns that may affect forecasting

45. As noted earlier at **paragraph 19**, one of the fee review objectives is to recover the deficit and return the Memorandum Account balance to neutral by June 2033. A limitation is that a 10-year forecast may be subject to change, as demand and expenses have the potential to fluctuate and be impacted by (often unforeseen) future events.

46. 9(2)(g)(i), 9(2)(f)(iv)
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47. There may be unidentified savings (additional to those referred to in **paragraph 42**) in the future that are not included in the 10-year forecast. The Department has been directed to identify further savings where possible, but these are not known at this time.
48. Any risk from unknowns in long-term forecasting will be mitigated through monitoring via future 2-yearly fee reviews. New forecasts will be produced and can factor in any changes. This will monitor whether the objective of this fee review to recover the deficit by June 2033 is still on track, or whether intervention is needed (refer to the section on Monitoring and Evaluation, **pages 16 – 17**).

Proposed fee options

49. The pricing model was used to develop feasible options to meet the objectives of the fee review.¹¹ The option of no fee increase is also assessed. Fee increases would be applicable to all fees in the Schedule of the Citizenship Regulations 2002. The options to be assessed in this CRIS are:

- **Option 1:** No fee increase

¹¹ We are unable to model how much of the proposed increases are made up of forecast costs, and how much is allocated to pay the deficit, as the Department's modelling combines this all together.

- 9(2)(g)(i), 9(2)(f)(iv)
 - 9(2)(f)(iv), 9(2)(g)(i)
 - 9(2)(g)(i), 9(2)(f)(iv)
50. 9(2)(f)(iv), 9(2)(g)(i)
- 9(2)(f)(iv), 9(2)(g)(i)
 - 9(2)(f)(iv), 9(2)(g)(i)
51. 9(2)(f)(iv), 9(2)(g)(i)
- This fee review assumes that cost increase drivers for providing citizenship services have increased all fees proportionately, so the relativity of the fees to each other has not changed. This assumption is made in the absence of any evidence suggesting otherwise.
52. 9(2)(f)(iv), 9(2)(g)(i)
53. For all options, the Department will support short term deficits from its balance sheet until the Memorandum Account returns to a neutral position. Repayable Capital Injections to support the Memorandum Account until the account deficit is addressed are not being sought by the Department. The Minister of Internal Affairs' preference is for the Department to support the deficits until the Memorandum Account balance returns to a neutral position.

Impact analysis

54. 9(2)(f)(iv), 9(2)(g)(i) options (including the option of no fee increase) are assessed against the three objectives in the table below. As noted in **paragraphs 23 – 29**, the objectives of fiscal sustainability (recovering the deficit) is weighted higher than the objective of having equitable and reasonable fees and the objective of service affordability (in the first year) for this fee review. Bracketed figures represent the weighted score for fiscal sustainability (refer to the key below the table for a full breakdown of the scoring).

Table 6: Options assessed against the three objectives of the fee review

Proactively released by the Department of Internal Affairs

Proactively released by the Department of Internal Affairs

Key for scoring in Table 6:

- 2** much better than doing nothing/the status quo
- 1** better than doing nothing/the status quo
- 0.5** slightly better than doing nothing/the status quo
- 0** about the same as doing nothing/the status quo
- 0.5** slightly worse than doing nothing/the status quo
- 1** worse than doing nothing/the status quo
- 2** much worse than doing nothing/the status quo

Bracketed figures incorporate weighting of criteria

The option of no fee increase does not meet the objectives

55. Per the table above, Option 1 (no fee increase) would not meet any of the objectives. It is therefore not assessed further as a feasible option for this fee increase.

Assessment of other options

Returning the Memorandum Account to neutral by June 2033

56. 9(2)(f)(iv), 9(2)(g)(i)



Minimising the immediate impact on service affordability (in the cost-of-living crisis)

57. The options have been assessed for their impact on affordability (in the first year after this review) while keeping in mind the need to also achieve the higher-weighted and necessary objective of recovering the deficit by June 2033. All the feasible options therefore impact on affordability to some degree, as they involve increases to the current fees.

58. 9(2)(f)(iv), 9(2)(g)(i)



Equitable and reasonable fees

59. 9(2)(f)(iv), 9(2)(g)(i)



9(2)(f)(iv), 9(2)(g)(i)

60. 9(2)(f)(iv), 9(2)(g)(i)

Consultation

61. A constraint of this analysis is that no consultation was undertaken. 9(2)(f)(iv), 9(2)(g)(i)

62. The anticipated risks associated with the lack of consultation are low, given that no new user charges are proposed, only amendments to the existing fees. There is also no change to the long-standing cost recovery model for citizenship that the expenses associated with the provision of citizenship services should be recovered from the person(s) receiving the exclusive benefit of those services.

Conclusions and recommendations

9(2)(f)(iv), 9(2)(g)(i)

63. 9(2)(f)(iv), 9(2)(g)(i)

64. 9(2)(f)(iv), 9(2)(g)(i)

9(2)(f)(iv), 9(2)(g)(i)

65. 9(2)(f)(iv), 9(2)(g)(i)

- 9(2)(f)(iv), 9(2)(g)(i)

- 9(2)(f)(iv), 9(2)(g)(i)

66. 9(2)(f)(iv), 9(2)(g)(i)

Implementation plan

67. A fee increase would be given effect to through an amendment to the Schedule of the Citizenship Regulations 2002, where the fees for all citizenship services are set out. The fee change would apply the date the amended regulations take effect.

68. The Department additionally will need to implement system changes necessary to give effect to the new fees. The level of risk is low as the system changes involve a relatively simple update of the fees table built into the system. Risks will be identified, and mitigation strategies identified and documented in the Project Plan. Risks will be regularly reviewed over the implementation period.

69. 9(2)(f)(iv), 9(2)(g)(i)

Cost efficiencies

70. As noted at **paragraph 42**, going forward the Department will explore more savings from the use of technology to reduce call centre staff numbers, employ persons on fixed-term roles (where appropriate) to manage short-term increases in citizenship by grant applications, utilise a cross-skilled workforce to manage peaks, and carefully monitor the volume of staff, using staff attrition to reduce staffing levels over time.

Monitoring and evaluation

71. In accordance with Treasury guidelines for cost recovery, the Department has been reviewing cost recovery fees every three years. The Department intends to increase the frequency of the fee reviews to two-yearly to ensure that fee levels more accurately reflect the current environment, including responding to any new savings or increased costs that may have been unknown at the time of the previous forecast. This will allow the Department to more frequently monitor whether the chosen option is working to achieve the long-term objectives of this fee review.

72. A two-yearly review will enable the Department to assess changes in the forecast and monitor the objective of recovering the deficit by June 2033, 9(2)(f)(iv), 9(2)(g)(i)

The Department can then determine if further intervention is necessary. 9(2)(f)(iv), 9(2)(g)(i)

12 9(2)(f)(iv), 9(2)(g)(i)

73. The Department monitors and reports on its cash flow on a regular monthly basis and publishes information on Memorandum Account annual revenue, expenses and opening and closing balances in its Annual Report.
74. The Department also collects data on application volumes and work on hand to assess its performance against the key metrics set out in the Estimates of Appropriation for Internal Affairs. The metrics for citizenship are as follows:
- 99% of citizenship applications are processed within business timeframe standards;
 - Applications for grant of citizenship to foreign nationals recommended to the Minister within 50 days; and
 - Applications for registration of citizenship by descent processed within 15 days.
75. The Department reports externally on its performance against the standards and measures in its Annual Report which is publicly available. The Department also monitors performance against these standards on a monthly basis.

Review

76. The cost recovery regime for citizenship services will be reviewed every two years. The reviews will look at:
- The volume of applications received over the previous two years and the forecast of applications the Department expects to receive over the next ten years;
 - The forecast of expenses that the Department expects to incur over the next ten years. These expenses include the direct costs of providing the services such as personnel, accommodation, consumables, and maintenance of the information technology systems necessary for production purposes. Also included in the expense forecast are anticipated costs of information technology development, such as system development or replacement;
 - The forecast of revenue the Department expects to receive over the next ten years;
 - Forecast of indirect costs such as corporate human resource, property, policy and financial services and the cost of maintaining the desktop information technology infrastructure;
 - Any potential policy or legislative changes that could impact on services and the fees for those services; and
 - The fees necessary to fund direct and indirect costs.

Annex 1: Status quo fees and the impact over 10 years on the Citizenship Products Memorandum Account

Table 1: Citizenship services and the current prescribed fee in regulations

Service	Current Fee ¹³
Citizenship by Grant (adult)	\$470.20
Citizenship by Grant (child under 16)	\$235.10
Citizenship by Grant (adult) via section 7(1) Citizenship Western Samoa Act 1982	\$470.20
Citizenship by Grant (adult) via section 7A Citizenship Western Samoa Act 1982	\$204.40
Citizenship by Grant (child) via section 7(1) Citizenship Western Samoa Act 1982	\$235.10
Certificate confirming that an applicant is a NZ citizen if NZ citizenship has previously been granted, registered, or confirmed	\$112.40
Certificate confirming that an applicant is a NZ citizen if the applicants NZ citizenship has not previously been granted, registered, or confirmed	\$204.40
Application for a certificate confirming that an applicant is not a NZ citizen	\$112.40
Application for written confirmation of citizenship status of another person	\$112.40
Citizenship by Descent (application for registration of persons born outside of NZ if application made in NZ)	\$204.40
Citizenship by Descent (application for registration of persons born outside of NZ, if application made outside of NZ)	\$204.40
Application for replacement certificate of citizenship	\$112.40
Application for registration of declaration of renunciation of citizenship.	\$398.60
Provision of printout or copy of entry in register in respect of a named person	\$26.58

Table 2: Citizenship Products Memorandum Account balances over the past 10 years with revenue from fees and expenses for providing services

Financial Year	Opening Balance	Revenue	Expenses	Closing Balance
2013-14	\$8,743,000	\$12,644,000	(\$11,597,000)	\$9,790,000
2014-15	\$9,790,000	\$12,020,000	(\$11,418,000)	\$10,392,000

¹³ Fees are shown as including 15% GST to reflect what an individual would pay. It is noted that in the Citizenship Regulations 2002, fees are published as GST inclusive, but only reflect the 12.5% GST in effect as of 2003.

Financial Year	Opening Balance	Revenue	Expenses	Closing Balance
2015-16	\$10,392,000	\$15,332,000	(\$12,429,000)	\$13,295,000
2016-17	\$13,295,000	\$17,449,000	(\$15,056,000)	\$15,688,000
2017-18	\$15,688,000	\$17,679,000	(\$16,601,000)	\$16,766,000
2018-19	\$16,766,000	\$15,337,000	(\$11,924,000)	\$20,279,000
2019-20	\$20,279,000	\$11,972,000	(\$15,826,000)	\$16,425,000
2020-21	\$16,425,000	\$10,423,000	(\$16,955,000)	\$9,893,000
2021-22	\$9,893,000	\$13,936,000	(\$17,896,999)	\$5,933,000
2022-23	\$5,933,000	\$18,857,000	(\$19,358,000)	\$5,432,000
2023-24	\$5,432,000	\$17,745,000	(\$23,459,000)	(\$282,000)
2024-25	(\$282,000)	\$21,296,000	(\$30,254,000)	(\$9,240,000) ¹⁴

¹⁴ Noting that this number has not yet been subject to audit. The last audited balance was a deficit of (\$0.282 million) as of 30 June 2024 (see row above).

Annex 2: Contributors to forecast expenses and revenue

Table 3: All citizenship services by volume provided

No	Matter	2022-23	2023-24	2024-25
1	Application for grant of citizenship under the Citizenship Act 1977 (other than to child under the age of 16 years)	32,605	31,691	31,032
2	Application for grant of citizenship under section 7 (1) the Citizenship Act 1977 for child under the age of 16 years	4,669	4,512	4,802
3	Application for grant of citizenship under the Citizenship (Western Samoa) Act 1982 (other than to a child under the age of 16 years)	1,762	1,998	2,644
4	Application for grant of citizenship under the Citizenship (Western Samoa) Act 1982 for child under the age of 16 years	275	426	597
5 (a)	Application under section 21(1) of Citizenship Act 1977 for a certificate confirming that an applicant is a New Zealand citizen if the applicant's New Zealand citizenship has previously been granted, registered or confirmed	200	198	217
5 (b)	Application under section 21(1) of Citizenship Act 1977 for a certificate confirming that an applicant is a New Zealand citizen if the applicant's New Zealand citizenship has <u>not</u> previously been granted, registered or confirmed	47	52	31
6	Application under section 21(1) of Citizenship Act 1977 for a certificate confirming that an applicant is <u>not</u> a New Zealand citizen.	1,602	1,247	1,162
6A	Application for written confirmation of the citizenship status of another person (if authorised by regulation 15).	48	52	61
7	Application for registration of persons born outside of New Zealand (if application made in New Zealand (Citizenship by Descent).	5,128	4,539	4,363
8	Application for registration of persons born outside of New Zealand (if application made outside of New Zealand (Citizenship by Descent).	9,012	7,796	7,695
9	Application for replacement certificate of citizenship.	549	802	676
10	Application for registration of declaration of renunciation of New Zealand citizenship.	66	66	105
11	Provision of printout or copy of entry in register in respect of a named person (if authorised by regulation 15).	0	0	0

No	Matter	2022-23	2023-24	2024-25
1	Application for grant of citizenship under the Citizenship Act 1977 (other than to child under the age of 16 years)	32,605	31,691	31,032
2	Application for grant of citizenship under section 7 (1) the Citizenship Act 1977 for child under the age of 16 years	4,669	4,512	4,802
3	Application for grant of citizenship under the Citizenship (Western Samoa) Act 1982 (other than to a child under the age of 16 years)	1,762	1,998	2,644
4	Application for grant of citizenship under the Citizenship (Western Samoa) Act 1982 for child under the age of 16 years	275	426	597
6	Application under section 21(1) of Citizenship Act 1977 for a certificate confirming that an applicant is <u>not</u> a New Zealand citizen.	1,602	1,247	1,162
7	Application for registration of persons born outside of New Zealand (if application made in New Zealand (Citizenship by Descent).	5,128	4,539	4,363
8	Application for registration of persons born outside of New Zealand (if application made outside of New Zealand (Citizenship by Descent).	9,012	7,796	7,695

Figure 1: Citizenship by grant applications 2014/15 – 2029/30

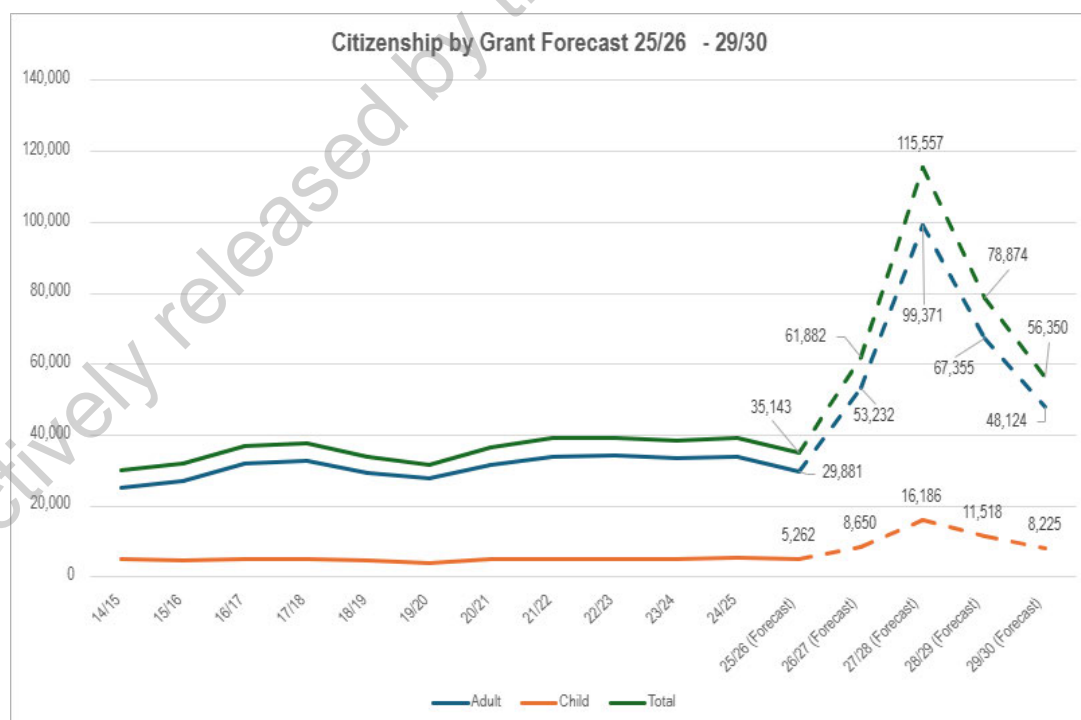


Table 4: Expenses for providing citizenship services broken down

Year	Personnel (\$000)	Other Operating (\$000)	Enabling Services (\$000)	Depreciation (\$000)	Capital Charge (\$000)	Total Expenses (\$000)
2024-25	\$13.117	\$6.437	\$8.268	\$2.946	\$1.001	\$31.770
2025-26	\$16.769	\$6.425	\$9.833	\$3.742	\$2.604	\$39.373
2026-27	\$18.293	\$7.687	\$11.351	\$3.792	\$2.475	\$43.598
2027-28	\$21.952	\$11.261	\$14.893	\$3.823	\$1.002	\$52.931
2028-29	\$14.352	\$6.700	\$8.362	\$3.734	\$0.888	\$34.035
2029-30	\$11.104	\$5.907	\$4.636	\$3.530	\$0.770	\$25.856
2030-31	\$10,830	\$5.897	\$4.470	\$3.010	\$0.649	\$24.856
2031-32	\$10.706	\$5.905	\$4.383	\$2.457	\$0.547	\$23.008
2032-33	\$11.947	\$6.454	\$5.004	\$2.441	\$0.475	\$26.331

Other Operating relates mainly to the IT operational support costs for information technology systems so that they remain highly available for Departmental staff and customers. These costs also included outsourcing costs including Citizenship ceremony and Police vetting fees.

Enabling Services include a range of overhead support costs including accommodation costs for the Department's physical office locations, central core and common ICT costs including laptops/desktops, software licenses, electronic document storage infrastructure and costs to deliver ICT security and a variety of other technology support for products and services, and central support costs which include services such as Human Resources, Finance, Legal, Communications, Enterprise Portfolio office, and the Office of the Chief Executive. As these costs are generally allocated by FTE, they will flex upwards or downwards dependent on the quantity of FTE which is being engaged at a point in time.

Depreciation and Capital Charge relates mainly to costs associated with the Department's assets and are fixed in nature. This is the cost of writing down the value of these assets over their useful lives and a contribution to the cost of capital with regards to funding the implementation projects.

Proactively released by the Department of Internal Affairs

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