

# *Vote Customs*

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APPROPRIATION MINISTER(S): Minister of Customs (M21), Minister for COVID-19 Response (M103)

DEPARTMENT ADMINISTERING THE VOTE: New Zealand Customs Service (A3)

RESPONSIBLE MINISTER FOR NEW ZEALAND CUSTOMS SERVICE: Minister of Customs

## Overview of the Vote

The Minister of Customs is responsible for the efficient and timely collection of Crown revenue, forecast to be \$17.962 billion in the 2022/23 financial year.

The Minister of Customs is responsible for the departmental appropriations in the Vote for the 2022/23 financial year covering the following:

- a total of over \$111 million for services relating to goods crossing borders, including trade compliance, and the protection of New Zealand through interventions, investigations and enforcement
- a total of just over \$88 million for services relating to travellers crossing borders and the protection of New Zealand through interventions, investigations and enforcement
- a total of just under \$41 million for the collection of Crown Revenue, the provision of Customs-related services to other government agencies and organisations, and the provision of advice and services to support Ministers to discharge their portfolio responsibilities relating to Customs, and
- a total of just over \$21 million for capital investment in departmental assets.

The Minister of Customs is responsible for a capital injection of \$59.049 million to the New Zealand Customs Service for the 2022/23 financial year.

The Minister of Customs is responsible for a multi-year appropriation in the Vote including just under \$32 million for the 2022/23 financial year for the provision of services related to mitigating the risk of COVID-19 being transmitted across the maritime border.

The Minister of Customs is responsible for the non-departmental appropriations in the Vote for the 2022/23 financial year covering the following:

- a total of \$16 million to provide for doubtful debts on revenue collected for the Crown, and
- a total of \$80,000 for payment of New Zealand's annual contribution to the World Customs Organization's operating budget.

The Minister for COVID-19 Response is responsible for a departmental appropriation in the Vote for the 2021/22 financial year covering:

- a total of just under \$2 million for services relating to policy and investment advice and the design and coordination of joint initiatives relating to the border system as a whole.

The Minister for COVID-19 Response is responsible for a multi-year appropriation in the Vote including just under \$26 million for the 2022/23 financial year for the development and implementation of the New Zealand Traveller Declaration system.

Details of these appropriations are set out in Parts 2-4.

# Details of Appropriations and Capital Injections

## Annual Appropriations and Forecast Permanent Appropriations

Titles and Scopes of Appropriations by Appropriation Type	2021/22		2022/23
	Final Budgeted \$000	Estimated Actual \$000	Budget \$000
<b>Departmental Output Expenses</b>			
<b>Border System Performance (M103) (A3)</b> This appropriation is limited to policy and investment advice and the design and coordination of joint initiatives relating to the border system as a whole.	1,450	1,450	<b>1,716</b>
<b>Goods Clearance and Enforcement (M21) (A3)</b> This appropriation is limited to the provision of services relating to goods crossing borders, including trade compliance, and the protection of New Zealand through interventions, investigations and enforcement.	108,897	108,897	<b>111,145</b>
<b>Revenue Collection and Other Services (M21) (A3)</b> This appropriation is limited to the collection of Crown Revenue, the provision of Customs-related services to other government agencies and organisations, and the provision of advice and services to support Ministers to discharge their portfolio responsibilities relating to Customs.	39,860	39,860	<b>40,880</b>
<b>Travellers Clearance and Enforcement (M21) (A3)</b> This appropriation is limited to the provision of services relating to travellers crossing borders and the protection of New Zealand through interventions, investigations and enforcement.	89,301	89,301	<b>88,320</b>
<b>Total Departmental Output Expenses</b>	239,508	239,508	242,061
<b>Departmental Other Expenses</b>			
<b>Software as a Service intangible asset derecognition (write-off) (M21) (A3)</b> This appropriation is limited to the derecognition (write-off) of a previously capitalised or planned to be capitalised intangible asset, due to the accounting policy change regarding Software as a Service.	7,661	7,661	-
<b>Total Departmental Other Expenses</b>	7,661	7,661	-
<b>Departmental Capital Expenditure</b>			
<b>New Zealand Customs Service - Capital Expenditure PLA (M21) (A3)</b> This appropriation is limited to the purchase or development of assets by and for the use of the New Zealand Customs Service, as authorised by section 24(1) of the Public Finance Act 1989.	21,158	21,158	21,054
<b>Total Departmental Capital Expenditure</b>	21,158	21,158	21,054
<b>Non-Departmental Other Expenses</b>			
<b>Change in Doubtful Debt Provision (M21) (A3)</b> Provisioning of Doubtful Debts on Customs Crown Revenue.	16,000	16,000	<b>16,000</b>
<b>World Customs Organization (M21) (A3)</b> New Zealand's contribution to the operating budget of the WCO.	80	80	<b>80</b>
<b>Total Non-Departmental Other Expenses</b>	16,080	16,080	16,080
<b>Total Annual Appropriations and Forecast Permanent Appropriations</b>	284,407	284,407	279,195

## Multi-Year Appropriations

Type, Title, Scope and Period of Appropriations	Appropriations, Adjustments and Use	\$000
<b>Departmental Output Expenses</b>		
<b>COVID-19 - Maritime Response (M21) (A3)</b> This appropriation is limited to the provision of services relating to mitigating the risk of transmission of COVID-19 across the maritime border.  Commences: 01 September 2020  Expires: 30 June 2023	Original Appropriation	44,020
	Adjustments to 2020/21	-
	Adjustments for 2021/22	41,550
	Adjusted Appropriation	85,570
	Actual to 2020/21 Year End	22,550
	Estimated Actual for 2021/22	31,470
	Estimate for 2022/23	31,550
	Estimated Appropriation Remaining	-
<b>Traveller Declaration System Development (M103) (A3)</b> This appropriation is limited to the development of policies, procedures and systems to assess travellers for risk, including health risk, when crossing the New Zealand border.  Commences: 01 September 2021  Expires: 30 June 2025	Original Appropriation	42,300
	Adjustments to 2020/21	-
	Adjustments for 2021/22	-
	Adjusted Appropriation	42,300
	Actual to 2020/21 Year End	-
	Estimated Actual for 2021/22	16,800
	Estimate for 2022/23	25,500
	Estimated Appropriation Remaining	-

## Total Annual Appropriations and Forecast Permanent Appropriations and Multi-Year Appropriations

	2021/22		2022/23
	Final Budgeted \$000	Estimated Actual \$000	Budget \$000
Total Annual Appropriations and Forecast Permanent Appropriations	284,407	284,407	279,195
Total Forecast MYA Departmental Output Expenses	48,270	48,270	57,050
<b>Total Annual Appropriations and Forecast Permanent Appropriations and Multi-Year Appropriations</b>	<b>332,677</b>	<b>332,677</b>	<b>336,245</b>

## Capital Injection Authorisations

	2021/22		2022/23
	Final Budgeted \$000	Estimated Actual \$000	Budget \$000
New Zealand Customs Service - Capital Injection (M21) (A3)	106,404	106,404	59,049

# Supporting Information

## Part 1 - Vote as a Whole

### 1.1 - New Policy Initiatives

Policy Initiative	Appropriation	2021/22 Final Budgeted \$000	2022/23 Budget \$000	2023/24 Estimated \$000	2024/25 Estimated \$000	2025/26 Estimated \$000
Addressing Tobacco Smuggling	Revenue Collection and Other Services	-	1,983	3,011	2,132	3,272
	New Zealand Customs Service - Capital Injection	-	399	275	-	-
Customs Revenue Shortfall from Reduced Traveller Numbers	New Zealand Customs Service - Capital Injection	-	58,500	-	-	-
<b>Total Initiatives</b>		-	<b>60,882</b>	<b>3,286</b>	<b>2,132</b>	<b>3,272</b>

## 1.2 - Trends in the Vote

### Summary of Financial Activity

	2017/18	2018/19	2019/20	2020/21	2021/22		2022/23			2023/24	2024/25	2025/26
	Actual \$000	Actual \$000	Actual \$000	Actual \$000	Final Budgeted \$000	Estimated Actual \$000	Departmental Transactions Budget \$000	Non- Departmental Transactions Budget \$000	Total Budget \$000	Estimated \$000	Estimated \$000	Estimated \$000
<b>Appropriations</b>												
Output Expenses	195,962	204,695	211,588	229,704	287,778	287,778	299,111	-	299,111	234,189	233,310	234,450
Benefits or Related Expenses	-	-	-	-	-	-	N/A	-	-	-	-	-
Borrowing Expenses	-	-	-	-	-	-	-	-	-	-	-	-
Other Expenses	2,445	5,754	14,240	12,908	23,741	23,741	-	16,080	16,080	8,080	8,080	8,080
Capital Expenditure	15,720	18,988	20,396	18,973	21,158	21,158	21,054	-	21,054	21,054	21,054	21,054
Intelligence and Security Department Expenses and Capital Expenditure	-	-	-	-	-	-	-	N/A	-	-	-	-
Multi-Category Expenses and Capital Expenditure (MCA)												
<i>Output Expenses</i>	-	-	-	-	-	-	-	-	-	-	-	-
<i>Other Expenses</i>	-	-	-	-	-	-	-	-	-	-	-	-
<i>Capital Expenditure</i>	-	-	-	-	-	-	N/A	-	-	-	-	-
<b>Total Appropriations</b>	<b>214,127</b>	<b>229,437</b>	<b>246,224</b>	<b>261,585</b>	<b>332,677</b>	<b>332,677</b>	<b>320,165</b>	<b>16,080</b>	<b>336,245</b>	<b>263,323</b>	<b>262,444</b>	<b>263,584</b>
<b>Crown Revenue and Capital Receipts</b>												
Tax Revenue	14,379,202	15,543,142	15,107,873	14,879,950	17,087,000	17,087,000	N/A	17,962,000	17,962,000	18,056,000	18,375,000	18,975,000
Non-Tax Revenue	-	-	8,067	11,047	11,180	11,180	N/A	11,130	11,130	11,630	11,630	12,130
Capital Receipts	-	-	-	-	-	-	N/A	-	-	-	-	-
<b>Total Crown Revenue and Capital Receipts</b>	<b>14,379,202</b>	<b>15,543,142</b>	<b>15,115,940</b>	<b>14,890,997</b>	<b>17,098,180</b>	<b>17,098,180</b>	<b>N/A</b>	<b>17,973,130</b>	<b>17,973,130</b>	<b>18,067,630</b>	<b>18,386,630</b>	<b>18,987,130</b>

Note - where restructuring of the vote has occurred then, to the extent practicable, prior years information has been restated as if the restructuring had occurred before the beginning of the period covered. In this instance Total Appropriations for the Budgeted and Estimated Actual year may not equal Total Annual Appropriations and Forecast Permanent Appropriations and Multi-Year Appropriations in the Details of Appropriations and Capital Injections.

## Adjustments to the Summary of Financial Activity Table Due to Vote Restructuring

There have been no restructuring adjustments to prior year information in the Summary of Financial Activity table.

### 1.3 - Analysis of Significant Trends

Significant changes in each appropriation category for Vote Customs are discussed below.

#### *Departmental Output Expenses*

Over the last five years (comparing the total for 2017/18 of \$195.962 million and the Estimated Actual for 2021/22 of \$287.778 million), the net funding for Vote Customs has increased by \$91.816 million. The net change in the total appropriation primarily relates to additional operational funding for:

- Drug Smuggling Networks: Strategic Disruption initiative - funding of \$17.905 million
- Combating the Sexual Exploitation of Children Across our Cyber Border initiative - funding of \$2.105 million
- mitigating the risk of COVID-19 crossing the maritime border - funding of \$31.470 million in 2021/22
- supporting the activities of the Border Executive Board - funding of \$1.450 million in 2021/22
- developing the New Zealand Traveller Declaration System - funding of \$16.800 million in 2021/22
- checking pre-departure COVID-19 tests at airports - funding of \$5.700 million in 2021/22
- refunding airlines for increased Border Clearance Levy rates that they were not able to pass on to travellers following their introduction on 1 December 2021 - funding of \$3 million in 2021/22, and
- growth in the number of passengers and volume of goods imported.

Annual appropriations for the purchase of departmental outputs total \$299.111 million for 2022/23, an increase of \$11.333 million compared to 2021/22. The net change in the total appropriations primarily relates to:

- an increase of \$8.700 million for funding received for the development of the New Zealand Traveller Declaration System
- additional funding of \$1.983 million received in Budget 2022 to address tobacco smuggling, and
- an increase of \$700,000 to support the checking of pre-departure COVID-19 tests at airports.

Departmental output expenses are currently expected to decrease to \$234.450 million by 2025/26. The decrease mainly reflects the planned cessation of additional tasks performed by Customs in mitigating the risk of COVID-19 crossing the maritime border and the cessation of time bound funding received for the development of the New Zealand Traveller Declaration System.

#### *Departmental Other Expenditure*

Departmental other expenditure was \$7.661 million in 2021/22 only and related to the derecognition (or write-off) of previously capitalised intangible assets following an accounting policy change regarding Software as a Service. This led to the increase in other expenses for 2021/22.

### *Departmental Capital Expenditure*

The capital expenditure funding trend reflects the timing and level of capital expenditure for the replacement and renewal of existing assets and additional capital investments.

Total forecast capital expenditure for 2022/23 is \$21.054 million, a decrease of \$104,000 from the estimated 2020/21 spend of \$21.158 million. The decrease in this appropriation is due to the purchase in 2021/22 of equipment for the detection and identification of controlled substances at the border.

### *Non-Departmental Other Expenses*

The majority of funding in this category is to provide for doubtful debts relating to Crown revenue collected by Customs. There was an increase in the amount of funding provided from 2019/20 to 2022/23 to manage the risk of increased doubtful debts due to the impact of COVID-19 on import and export activity.

From 2023/24 onwards estimated/budgeted non-departmental other expenses remain steady over the remaining forecast period.

### *Crown Revenue*

The New Zealand Customs Service collects tax revenue on behalf of the Crown by way of customs duty and GST on imports, together with excise duty on domestically manufactured alcohol, tobacco, petroleum products or equivalent duty on the same products imported into New Zealand. The GST on imports is the major revenue source.

Total tax revenue collected by the New Zealand Customs Service has increased progressively over the last five years, with the exception of 2020/21 due to the impact that the COVID-19 pandemic had on goods crossing the border. Treasury forecasts the amount collected by the New Zealand Customs Service will recover and increase to \$18.975 million by 2025/26.



## Part 2 - Details of Departmental Appropriations

### 2.1 - Departmental Output Expenses

#### Border System Performance (M103) (A3)

##### *Scope of Appropriation*

This appropriation is limited to policy and investment advice and the design and coordination of joint initiatives relating to the border system as a whole.

##### *Expenses and Revenue*

	2021/22		2022/23
	Final Budgeted \$000	Estimated Actual \$000	Budget \$000
Total Appropriation	1,450	1,450	1,716
Revenue from the Crown	1,450	1,450	1,716
Revenue from Others	-	-	-

##### *What is Intended to be Achieved with this Appropriation*

This appropriation is intended to achieve an end-to-end border process that integrates health risk management and strategic border system improvements. This will be achieved through the provision of support to the Border Executive Board to enable it to provide policy and investment advice to assist effective decision-making, design and coordination for the border system to improve the wellbeing of New Zealanders.

##### *How Performance will be Assessed and End of Year Reporting Requirements*

	2021/22		2022/23
	Final Budgeted Standard	Estimated Actual	Budget Standard
Assessment of Performance			
The Border Executive Board work programme has initiatives that respond to risk and drive border system improvement	Achieved	Achieved	Achieved
The Border Executive Board has approved a border sector strategy (see Explanation 2)	New measure	-	Achieved
Satisfaction of the Minister for COVID-19 Response with the provision of coordination, information and advice	Meets expectations	Meets expectations	Meets expectations

## Explanations - New/adjusted performance measures

Explanation 1 - The 2021/22 measure 'The Border Executive Board has applied the risk and assurance framework for the end-to-end border process with respect to COVID-19' was removed for 2022/23 because the focus of the Border Executive Board has moved from its initial focus on COVID-19 response to the broader management of border risk and system improvement. This broader focus is reflected in the Border Executive Board work programme measure.

Explanation 2 - This is a new performance measure for 2022/23 and was selected to reflect Cabinet's directive to create a border sector strategy. As a result there is no Estimated Actual result for 2021/22 for this measure.

### *End of Year Performance Reporting*

Performance information for this appropriation will be reported by the New Zealand Customs Service in its Annual Report.

### *Reasons for Change in Appropriation*

The increase in this appropriation for 2022/23 is due to contributions made by border sector agencies to ensure that the Border Executive Board receives the level of policy and investment advice required to achieve its objectives.

## COVID-19 - Maritime Response (M21) (A3)

### *Scope of Appropriation and Expenses*

Type, Title, Scope and Period of Appropriations	Appropriations, Adjustments and Use	\$000
<b>COVID-19 - Maritime Response (M21) (A3)</b> This appropriation is limited to the provision of services relating to mitigating the risk of transmission of COVID-19 across the maritime border.  Commences: 01 September 2020  Expires: 30 June 2023	Original Appropriation	44,020
	Adjustments to 2020/21	-
	Adjustments for 2021/22	41,550
	Adjusted Appropriation	85,570
	Actual to 2020/21 Year End	22,550
	Estimated Actual for 2021/22	31,470
	Estimate for 2022/23	31,550
	Estimated Appropriation Remaining	-

### *Revenue*

	Budget \$000
Revenue from the Crown to end of 2022/23	85,570
Revenue from Others to end of 2022/23	-
Total Revenue	85,570

### *What is Intended to be Achieved with this Appropriation*

This appropriation is intended to achieve border processes to mitigate the risk of transmission of COVID-19 into New Zealand across the maritime border.

### *How Performance will be Assessed and End of Year Reporting Requirements*

	2021/22		2022/23
	Final Budgeted Standard	Estimated Actual	Budget Standard
Assessment of Performance			
Percentage of international maritime ports where Customs maintains a presence to deter non-compliance with the Maritime Border Order	100%	100%	100%
Maximum number of instances of non-compliance (including PPE usage and social distancing) identified by Customs staff present at international maritime ports (see Note 1) (see Explanation 1)	1,200	1,000	1,000
Percentage of non-compliant instances (see Note 1) observed at the maritime border where Customs takes action to enforce compliance	100%	100%	100%

#### **Notes**

Note 1 - The majority of non-compliance is breaches of personal protective equipment (PPE) usage and social distancing requirements, however isolation and security breaches and other activity in violation of the Maritime Border Order is also captured by this measure.

#### **Explanations - New/adjusted performance measures**

Explanation 1 - The 2022/23 budget standard has been decreased, from 1,200 (for 2021/22) to 1,000, to reflect the expectation that the number of non-compliant instances identified should continue to gradually decrease as crews and port staff are educated and become more familiar with Maritime Border Order requirements.

### *End of Year Performance Reporting*

Performance information for this appropriation will be reported by the New Zealand Customs Service in its Annual Report.

### *Reasons for Change in Appropriation*

The increase in this appropriation for 2022/23 is due to:

- an increase of \$31.500 million to provide funding for the continuation of the of the Maritime Border Order from 1 July 2022 to 30 June 2023
- an increase of \$10 million to provide funding for the continuation of the Maritime Border Order from 31 December 2021 to 30 June 2022, and
- an increase of \$50,000 through a fiscally neutral transfer of capital charge funding from another departmental appropriation.

## Goods Clearance and Enforcement (M21) (A3)

### *Scope of Appropriation*

This appropriation is limited to the provision of services relating to goods crossing borders, including trade compliance, and the protection of New Zealand through interventions, investigations and enforcement.

### *Expenses and Revenue*

	2021/22		2022/23
	Final Budgeted \$000	Estimated Actual \$000	Budget \$000
Total Appropriation	108,897	108,897	111,145
Revenue from the Crown	46,889	46,889	49,804
Revenue from Others	66,674	66,674	67,553

### *What is Intended to be Achieved with this Appropriation*

This appropriation is intended to achieve secure and efficient border processes for trade to and from New Zealand, to improve the wellbeing of New Zealanders.

### *How Performance will be Assessed and End of Year Reporting Requirements*

	2021/22		2022/23
	Final Budgeted Standard	Estimated Actual	Budget Standard
Assessment of Performance			
<b>Service provision and trade promotion</b>			
Minimum percentage of trade transactions (other than those referred for compliance checks) processed (including assessment against business rules and intelligence alerts) within 30 minutes	98%	99.5%	98%
Minimum number of new companies that have formally entered Customs' Authorised Economic Operator (Secure Exports Scheme) programme	12	12	12
<b>Clearance, compliance and risk management</b>			
Minimum percentage of import transactions not requiring intervention after risk assessment (see Note 1)	98%	99.3%	98%
Minimum percentage of export transactions not requiring intervention after risk assessment (see Note 1)	99%	99.8%	99%
Number of import mail items subject to risk-based physical examination	8,000-12,000	8,500	8,000-12,000
Minimum result rate of physically examined mail items	30%	40.0%	30%
Minimum number of import trade entries that are subject to risk-based physical examination	20,000-30,000	21,000	20,000-30,000
Minimum number of import transactions selected for random interventions (under Customs' Assurance programme) (see Note 2) (see Explanation 1)	6,270	6,500	6,750

	2021/22		2022/23
	Final Budgeted Standard	Estimated Actual	Budget Standard
Assessment of Performance			
<b>Investigations and enforcement</b>			
Minimum percentage of investigations (see Note 3), related to import or export of prohibited or restricted goods, where prosecution is initiated (see Note 4)	75%	75.0%	75%

## Notes

Note 1 - 'Intervention' means action by Customs to carry out further risk assessment. This may include, but is not limited to, document inspection, screening or search.

Note 2 - Customs' Assurance programme conducts randomised compliance checks of imported goods crossing the border. The standard of 6,750 interventions is the minimum sample required for the assurance model to provide a valid representation of the population. These interventions include random sampling of fast freight, mail, and air and sea cargo (import entries and electronic cargo information (ECI) consignments).

Note 3 - 'Investigations' refers to investigations completed by the Customs Investigations Unit (CIU). This measure excludes actions taken by other units within Customs (for example the Frontline Investigations Team) or in relation to Intellectual Property Rights.

Note 4 - 'Prosecution initiated' refers to a closed high priority investigation where an offence has been committed, and an offender has been identified and placed before the Courts by Customs or any other agency.

## Explanations - New/adjusted performance measures

Explanation 1 - The 2022/23 budget standard has been increased, from 6,270 (in 2021/22) to 6,750, to reflect the expansion of Customs' Assurance programme's sea cargo sampling from 2022/23.

## End of Year Performance Reporting

Performance information for this appropriation will be reported by the New Zealand Customs Service in its Annual Report.

## Current and Past Policy Initiatives

Policy Initiative	Year of First Impact	2021/22 Final Budgeted \$000	2022/23 Budget \$000	2023/24 Estimated \$000	2024/25 Estimated \$000	2025/26 Estimated \$000
Reprioritisation of Funding - Finding Savings through the Cost Recovery Review	2019/20	(766)	(766)	(766)	(766)	(766)
Drug Smuggling Networks: Strategic Disruption	2018/19	7,302	7,302	7,302	7,302	7,302

### *Reasons for Change in Appropriation*

The increase in this appropriation for 2022/23 is mainly due to:

- a decrease of \$1 million in 2021/22 due to the transfer of funding to 2022/23 to ensure that sufficient funding is available for the work of the Border Executive Board
- an increase of \$653,000 through a fiscally neutral transfer between departmental appropriations to reflect the application of a more accurate methodology for the allocation of costs between appropriations.

### *Memorandum Account*

	2021/22		2022/23
	Budgeted \$000	Estimated Actual \$000	Budget \$000
<b>Goods Clearance and Enforcement Memorandum Account</b>			
Opening Balance at 1 July	-	-	4,666
Revenue	58,052	58,052	58,931
Expenses	(53,386)	(53,386)	(52,719)
Transfers and Adjustments	-	-	-
<b>Closing Balance at 30 June</b>	<b>4,666</b>	<b>4,666</b>	<b>10,878</b>

Memorandum accounts record the accumulated balance of surpluses and deficits incurred for outputs provided to third party users of those services on a full cost recovery basis. The Goods Clearance Fee memorandum account records both the revenues from, and costs of, clearing certain goods across the border.

The Memorandum account allows for the fact that revenue and expenses will not equate in any given financial year, with balances expected to trend to zero over a reasonable period of time (three to five years). Goods Clearance Fees payable to Customs by the importers and exporters of goods are set at a level that is designed to bring any accumulated surplus or deficit to zero over the three-year levy period.

### **Revenue Collection and Other Services (M21) (A3)**

#### *Scope of Appropriation*

This appropriation is limited to the collection of Crown Revenue, the provision of Customs-related services to other government agencies and organisations, and the provision of advice and services to support Ministers to discharge their portfolio responsibilities relating to Customs.

#### *Expenses and Revenue*

	2021/22		2022/23
	Final Budgeted \$000	Estimated Actual \$000	Budget \$000
Total Appropriation	39,860	39,860	40,880
Revenue from the Crown	38,604	38,604	39,579
Revenue from Others	1,256	1,256	1,301

### *What is Intended to be Achieved with this Appropriation*

This appropriation is intended to achieve a well-functioning Customs Service that collects Crown Revenue to improve the wellbeing of New Zealanders.

### *How Performance will be Assessed and End of Year Reporting Requirements*

	2021/22		2022/23
	Final Budgeted Standard	Estimated Actual	Budget Standard
Assessment of Performance			
<b>Revenue collection</b>			
Minimum percentage of revenue that is collected by the due date	98%	98.1%	98%
Debt write-offs as a maximum percentage of total Crown revenue collected	0.06%	0.03%	0.06%
<b>Clearance, compliance and risk management</b>			
Minimum number of risk-based trade compliance audit activities undertaken	200-300	200	200-300
Minimum percentage of a random sample of import entries that are found to be accurate through the transactional verification process	90%	90.0%	90%
Minimum percentage of investigations (see Note 1), related to fraud, financial crime or tax evasion, where prosecution is initiated (see Note 2)	75%	75.0%	75%
<b>Policy advice</b>			
Assessment of the quality of a sample of the agency's policy papers:			
a) Minimum average score of papers	3.5 out of 5	3.5	3.5 out of 5
b) Minimum score of papers	100% above 3, 25% above 4	100% above 3, 25% above 4	100% above 3, 25% above 4
Satisfaction of the portfolio Minister with the policy advice service	3.75 out of 5	4	3.75 out of 5
<b>Ministerial servicing</b>			
Satisfaction of the portfolio Minister with ministerial servicing	Meets expectations	Meets expectations	Meets expectations
Minimum percentage of draft replies to ministerial correspondence that are provided within 20 working days or as agreed with the Minister (see Note 3)	95%	96.0%	95%
Percentage of draft responses to parliamentary questions that are provided to the Minister's office so that answers can meet the timeframe set in Parliamentary Standing Orders	100%	100%	100%
<b>Other services</b>			
Percentage of external alerts processed in accordance with alert instructions	100%	100%	100%
Minimum percentage of requests accepted by the National Maritime Coordination Centre which are assigned within 31 days	80%	90.0%	80%

## Notes

Note 1 - 'Investigations' refers to investigations completed by the Customs Investigations Unit. This measure excludes actions taken by other units within Customs (for example the Frontline Investigations Team) or in relation to Intellectual Property Rights.

Note 2 - 'Prosecution initiated' refers to a closed high priority investigation where an offence has been committed, and an offender has been identified and placed before the Courts by Customs or any other agency.

Note 3 - For the purposes of this measure, 'working day' means a working day as defined in the Official Information Act 1982.

### *End of Year Performance Reporting*

Performance information for this appropriation will be reported by the New Zealand Customs Service in its Annual Report.

### *Current and Past Policy Initiatives*

Policy Initiative	Year of First Impact	2021/22 Final Budgeted \$000	2022/23 Budget \$000	2023/24 Estimated \$000	2024/25 Estimated \$000	2025/26 Estimated \$000
Addressing Tobacco Smuggling	2022/23	-	1,983	3,011	2,132	3,272
Combating the Sexual Exploitation of Children Across our Cyber Border	2019/20	2,160	2,179	2,179	2,179	2,179
Drug Smuggling Networks: Strategic Disruption	2018/19	2,786	2,786	2,786	2,786	2,786

### *Reasons for Change in Appropriation*

The increase in this appropriation for 2022/23 is mainly due to an additional \$1.983 million received in Budget 2022 to address tobacco smuggling.

The increase is partially offset by:

- a decrease of \$272,000 through a fiscally neutral transfer between departmental appropriations to reflect the application of a more accurate methodology for the allocation of costs between appropriations
- a decrease of \$115,000 through a fiscally neutral transfer to ensure that sufficient funding is available for the work of the Border Executive Board
- a decrease of \$50,000 through a fiscally neutral transfer of capital charge funding to another departmental appropriation.



## Traveller Declaration System Development (M103) (A3)

### *Scope of Appropriation and Expenses*

Type, Title, Scope and Period of Appropriations	Appropriations, Adjustments and Use	\$000
<b>Traveller Declaration System Development (M103) (A3)</b> This appropriation is limited to the development of policies, procedures and systems to assess travellers for risk, including health risk, when crossing the New Zealand border.  Commences: 01 September 2021  Expires: 30 June 2025	Original Appropriation	42,300
	Adjustments to 2020/21	-
	Adjustments for 2021/22	-
	Adjusted Appropriation	42,300
	Actual to 2020/21 Year End	-
	Estimated Actual for 2021/22	16,800
	Estimate for 2022/23	25,500
	Estimated Appropriation Remaining	-

### *Revenue*

	Budget \$000
Revenue from the Crown to end of 2022/23	42,300
Revenue from Others to end of 2022/23	-
Total Revenue	42,300

### *What is Intended to be Achieved with this Appropriation*

This appropriation is intended to achieve the delivery of the New Zealand Traveller Declaration system. This will be achieved through the implementation of a digital system to allow all passengers to make digital declarations, enable individual risk assessment prior to travel, and ensure border risk is managed appropriately to protect all New Zealanders.

### *How Performance will be Assessed and End of Year Reporting Requirements*

	2021/22		2022/23
	Final Budgeted Standard	Estimated Actual	Budget Standard
Assessment of Performance			
Implement an extended technology solution to allow for at-scale (see Note 1) processing of health documentation for arriving air and sea travellers (New Zealand Traveller Declaration system tranche 2 (see Explanations 1 and 2))	New measure	-	Achieved
Deployment of a single solution for processing all arrival declarations (see Note 2) by travellers (New Zealand Traveller Declaration system tranche 3 (see Explanation 3))	New measure	-	Achieved

### **Notes**

Note 1 - The scaling up of digital processing of travellers to support the reopening of the New Zealand border and reconnection with the world.

Note 2 - This includes both health-related and traditionally required pre-arrival declarations and documents.

## Explanations - New/adjusted performance measures

Explanation 1 - The following measures were key deliverables for 2021/22 and have therefore been removed for 2022/23 because they are expected to be completed in 2021/22:

- conduct a minimum of two pilots, with samples of arriving air travellers, to test the New Zealand Traveller Declaration system (tranche 1) usability and operation
- implement an initial technology solution to enable digital processing of arriving air travellers' health documentation - New Zealand Traveller Declaration tranche 1 only.

Refer to Explanations 2 and 3 for information on the new 2022/23 measures related to tranches 2 and 3 of the New Zealand Traveller Declaration system.

Explanation 2 - This is a new performance measure for 2022/23 and relates to the next step of the New Zealand Traveller Declaration system, which focuses on the system's expansion to process the health documentation of larger volumes of arriving air and sea travellers. As a result, there is no Estimated Actual result for 2021/22 for this measure.

Explanation 3 - This is a new performance measure for 2022/23 and was selected as it reflects the end output of the New Zealand Traveller Declaration system - the deployment of a single solution for processing of all travellers' arrival declarations. As a result, there is no Estimated Actual result for 2021/22 for this measure.

### *End of Year Performance Reporting*

Performance information for this appropriation will be reported by the New Zealand Customs Service in its Annual Report.

### *Reasons for Change in Appropriation*

The increase in this appropriation for 2022/23 is due to additional funding received for the development of the New Zealand Traveller Declaration system.

## Travellers Clearance and Enforcement (M21) (A3)

### *Scope of Appropriation*

This appropriation is limited to the provision of services relating to travellers crossing borders and the protection of New Zealand through interventions, investigations and enforcement.

### *Expenses and Revenue*

	2021/22		2022/23
	Final Budgeted \$000	Estimated Actual \$000	Budget \$000
Total Appropriation	89,301	89,301	88,320
Revenue from the Crown	8,602	8,602	6,319
Revenue from Others	4,928	4,928	21,479

### *What is Intended to be Achieved with this Appropriation*

This appropriation is intended to achieve secure and efficient border processes for travel to and from New Zealand, to improve the wellbeing of New Zealanders.

### *How Performance will be Assessed and End of Year Reporting Requirements*

Assessment of Performance	2021/22		2022/23
	Final Budgeted Standard	Estimated Actual	Budget Standard
<b>Sea</b>			
Percentage of arriving commercial marine craft assessed as high risk or requiring administrative process that are subject to planned interaction while in a New Zealand port (see Note 1)	100%	100%	100%
Minimum percentage of all arriving commercial marine craft that are not assessed as high risk that will be subject to Customs secondary interaction (see Note 2) (see Explanation 1)	Returning measure	-	5%
Minimum percentage of arriving small craft subject to Customs secondary interaction (see Note 2)	30%	40%	30%
<b>Air</b>			
Minimum percentage of arriving international air passengers and crew not requiring intervention after risk assessment (see Note 3)	98%	99.3%	98%
Percentage of arriving international air passengers and crew who are selected for further risk assessment at Customs' secondary areas	0.4%-0.7%	0.7%	0.4%-0.7%
Result rate of secondary searches of arriving international air passengers and crew (see Note 4)	6.0%-10.0%	6.0%	6.0%-10.0%
Minimum number of arriving air passengers selected for random interventions (under Customs' Assurance programme) (see Note 5) (see Explanation 2)	Returning measure	-	2,000
<b>Investigations and enforcement</b>			
Minimum percentage of investigations (see Note 6), related to travellers and their possessions, where prosecution is initiated (see Note 7)	75%	75.0%	75%
Minimum percentage of arriving international air travellers who are compliant with pre-departure testing requirements	95%	97.0%	95%

### **Notes**

Note 1 - Planned interaction will be required for all craft showing a high (Priority 1) risk, craft visiting New Zealand for the first time, craft where information is incomplete, and craft where a visit is needed to complete an administrative process (such as immigration or bonding ships stores).

Note 2 - 'Secondary interaction' means any interaction undertaken over and above the initial boarding and clearance function and may range from talking to the crew to a full rummage. The outputs maintain high levels of compliance, and act as a check on risk assessments.

Note 3 - 'Intervention' means action by the New Zealand Customs Service to carry out further risk assessment. This may include, but is not limited to, further questioning, interview, or baggage search. This excludes passengers who interact with Customs because they voluntarily seek out Customs' help or declare items.

Note 4 - An estimated 50%-60% of travellers selected for further risk assessment are subject to a secondary search. A positive result is any outcome of a secondary search that supports the person/item being risk-profiled. This includes, but is not limited to, finding dutiable, prohibited, or undeclared items; or referral to another border control agency. The result rate does not include any interceptions, seizures, or arrests that occur at a later date or at a location outside of the international airport of entry that may have been the result of information/intelligence gathered from a secondary search.

Note 5 - Customs' Assurance programme conducts randomised compliance checks of arriving international air passengers crossing the border. The standard of 2,000 interventions is the minimum sample required for the assurance model to provide a valid representation of the population.

Note 6 - 'Investigations' refers to investigations completed by the Customs Investigations Unit (CIU). This measure excludes actions taken by other units within Customs (for example the Frontline Investigations Team) or in relation to Intellectual Property Rights.

Note 7 - 'Prosecution initiated' refers to a closed high priority investigation where an offence has been committed, and an offender has been identified and placed before the Courts by Customs or any other agency.

Note 8 - Customs officers check pre-departure test (PDT) documentation to ensure compliance with the legislated requirements. This includes, but is not limited to, manual verification that traveller details included on PDT documentation are accurate, the correct documentation has been provided, and (to the best of the officer's ability) the documentation is genuine. The Ministry of Health is responsible for setting the pre-departure testing health rules and legislative requirements.

### **Explanations - New/adjusted performance measures**

Explanation 1 - This is a returning performance measure that was removed for 2021/22 as part of the 2021/22 Supplementary Estimates of Appropriations. It was removed because the temporary ban on cruise ships had resulted in a significant reduction in Customs secondary interaction with low risk vessels, the majority of which are cruise ships. This measure has been reinstated for 2022/23 on the assumption that cruise ships return in 2022/23.

Explanation 2 - This is a returning performance measure which was removed for 2021/22 as part of the 2021/22 Supplementary Estimates of Appropriations. It was removed because the random sampling of passengers, as part of Customs' Assurance programme, was suspended in 2021/22 due to COVID-19 border restrictions and manual processing of all arriving international passengers. This measure has been reinstated for 2022/23 on the assumption that international passenger volumes will increase significantly in 2022/23, which will enable passenger sampling to recommence. Minor wording changes have also been made (from the removed 2021/22 measure) to provide further clarity on how this sampling is conducted.

Explanation 3 - The development of the New Zealand Traveller Declaration system (covered by the Traveller Declaration System Development appropriation) throughout 2021/22 meant the measure 'Percentage of pre-departure test documentation assessed for arriving international air travellers who are subject to pre-departure testing' was only intended to be used while the system was developed, and has therefore been removed for 2022/23. From late 2021/22 arriving travellers are required to submit their health documentation through the newly developed Traveller Declaration System before departing for New Zealand. This new system changes how Customs processes and assesses pre-departure test documentation, and enables more automated digital verification processes.

### *End of Year Performance Reporting*

Performance information for this appropriation will be reported by the New Zealand Customs Service in its Annual Report.

### Current and Past Policy Initiatives

Policy Initiative	Year of First Impact	2021/22 Final Budgeted \$000	2022/23 Budget \$000	2023/24 Estimated \$000	2024/25 Estimated \$000	2025/26 Estimated \$000
Drug Smuggling Networks: Strategic Disruption	2018/19	7,224	7,224	7,224	7,224	7,224

### Reasons for Change in Appropriation

The decrease in this appropriation for 2022/23 is mainly due to:

- an increase of \$3 million in 2021/22 through funding received to support airlines transition to the increased Border Processing Levy rate that was introduced on 1 December 2021
- a decrease of \$381,000 through a fiscally neutral transfer between departmental appropriations to reflect the application of a more accurate methodology for the allocation of costs between appropriations.

The decrease is partially offset by an increase of \$700,000 to support the checking of pre-departure COVID-19 tests at airports.

### Memorandum Account

	2021/22		2022/23
	Budgeted \$000	Estimated Actual \$000	Budget \$000
Border Processing Levy Memorandum Account			
Opening Balance at 1 July	-	-	(75,771)
Revenue	4,928	4,928	21,479
Expenses	(80,699)	(80,699)	(82,001)
Transfers and Adjustments	-	-	-
<b>Closing Balance at 30 June</b>	<b>(75,771)</b>	<b>(75,771)</b>	<b>(136,293)</b>

Memorandum accounts record the accumulated balance of surpluses and deficits incurred for outputs provided to third party users of those services on a full cost recovery basis. The Border Clearance Levy memorandum account records both the revenue from, and costs of providing, border clearance services relating to travellers arriving in and departing from New Zealand.

The Memorandum account allows for the fact that revenue and expenses will not equate in any given financial year, with balances expected to trend to zero over a reasonable period of time (three to five years).

COVID-19 related border restrictions were introduced in March 2020. This significantly reduced the number of travellers crossing the border and the amount of revenue earned through the Border Clearance Levy. Despite the reduction in traveller volumes, Customs has been required to maintain a full presence at the border to safely manage the entry of travellers in accordance with evolving border entry requirements. This has resulted in the accumulation of a large memorandum account deficit.

The Government agreed to apply Crown funding to offset the memorandum account deficit that accumulated between March 2020 and 30 June 2021. From 1 December 2021 increased Border Clearance Levy rates were introduced that are designed to bring the balance of the memorandum account to zero over the three-year period from December 2021 to November 2024.

## 2.3 - Departmental Capital Expenditure and Capital Injections

### New Zealand Customs Service - Capital Expenditure PLA (M21) (A3)

#### *Scope of Appropriation*

This appropriation is limited to the purchase or development of assets by and for the use of the New Zealand Customs Service, as authorised by section 24(1) of the Public Finance Act 1989.

#### *Capital Expenditure*

	2021/22		2022/23
	Final Budgeted \$000	Estimated Actual \$000	Budget \$000
Forests/Agricultural	-	-	-
Land	-	-	-
Property, Plant and Equipment	9,004	9,004	9,004
Intangibles	12,050	12,050	12,050
Other	104	104	-
<b>Total Appropriation</b>	<b>21,158</b>	<b>21,158</b>	<b>21,054</b>

#### *What is Intended to be Achieved with this Appropriation*

This appropriation is intended to achieve the renewal and replacement of assets in support of the delivery of the New Zealand Customs Service's services.

#### *How Performance will be Assessed and End of Year Reporting Requirements*

	2021/22		2022/23
	Final Budgeted Standard	Estimated Actual	Budget Standard
Assessment of Performance			
Expenditure is in accordance with the department's intention to renew and replace computer equipment and software, furniture and fittings, leasehold improvements, motor vehicles, and office equipment and plant	Achieved	Achieved	Achieved

#### *End of Year Performance Reporting*

Performance information for this appropriation will be reported by the New Zealand Customs Service in its Annual Report.

#### *Reasons for Change in Appropriation*

The decrease in this appropriation for 2022/23 is due to the purchase in 2021/22 of equipment for the detection and identification of controlled substances at the border.

*Capital Injections and Movements in Departmental Net Assets***New Zealand Customs Service**

Details of Net Asset Schedule	2021/22 Estimated Actual \$000	2022/23 Projected \$000	Explanation of Projected Movements in 2022/23
Opening Balance	160,848	185,386	
Capital Injections	106,404	59,049	The majority of the capital injections received relate to funding received by Customs to address cash flow issues in response to COVID-19 related reductions in third party revenue (\$58.500 million) and funding received to address tobacco smuggling (\$399,000).
Capital Withdrawals	(3,100)	-	
Surplus to be Retained (Deficit Incurred)	(71,105)	(54,310)	The reduced level of the deficit incurred reflects improved amounts of Border Processing Levy revenue earned following the lifting of COVID-19 related border restrictions.
Other Movements	(7,661)	-	The other movements balance for 2021/22 is the one-off derecognition (or write-off) of previously capitalised intangible assets due to an accounting policy change regarding Software as a Service.
<b>Closing Balance</b>	<b>185,386</b>	<b>190,125</b>	

## Part 3 - Details of Non-Departmental Appropriations

### 3.4 - Non-Departmental Other Expenses

#### Change in Doubtful Debt Provision (M21) (A3)

##### *Scope of Appropriation*

Provisioning of Doubtful Debts on Customs Crown Revenue.

##### *Expenses*

	2021/22		2022/23
	Final Budgeted \$000	Estimated Actual \$000	Budget \$000
Total Appropriation	16,000	16,000	16,000

##### *What is Intended to be Achieved with this Appropriation*

This appropriation is intended to achieve the provisioning for doubtful debts on revenue collected by the New Zealand Customs Service on behalf of the Crown.

##### *How Performance will be Assessed and End of Year Reporting Requirements*

	2021/22		2022/23
	Final Budgeted Standard	Estimated Actual	Budget Standard
Assessment of Performance			
Debt write-offs as a maximum percentage of total Crown revenue collected	0.06%	0.03%	0.06%

##### *End of Year Performance Reporting*

Performance information for this appropriation will be reported by the Minister of Customs (the Appropriation Minister) in a report appended to the New Zealand Customs Service's Annual Report.

#### World Customs Organization (M21) (A3)

##### *Scope of Appropriation*

New Zealand's contribution to the operating budget of the WCO.

##### *Expenses*

	2021/22		2022/23
	Final Budgeted \$000	Estimated Actual \$000	Budget \$000
Total Appropriation	80	80	80



### *What is Intended to be Achieved with this Appropriation*

This appropriation is intended to achieve New Zealand meeting its commitment as a member of the World Customs Organization (WCO) to contribute to the running costs of the WCO.

### *How Performance will be Assessed and End of Year Reporting Requirements*

	2021/22		2022/23
	Final Budgeted Standard	Estimated Actual	Budget Standard
Assessment of Performance			
New Zealand's contribution to the operating budget of the WCO paid by the due date	Achieved	Achieved	Achieved

### *End of Year Performance Reporting*

Performance Information for this appropriation will be reported by the Minister of Customs (the Appropriation Minister) in a report appended to the New Zealand Customs Service's Annual Report.