

# *Vote Customs*

---

APPROPRIATION MINISTER(S): Minister of Customs (M21)

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 \$19.055 billion in the 2023/24 financial year.

The Minister of Customs is responsible for the departmental appropriations in the Vote for the 2023/24 financial year covering the following:

- a total of just over \$127 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 under \$91 million for services relating to travellers crossing borders and the protection of New Zealand through interventions, investigations and enforcement
- a total of just over \$35 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
- 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, 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 \$13.875 million to the New Zealand Customs Service for the 2023/24 financial year.

The Minister of Customs is responsible for a multi-year appropriation in the Vote of just over \$17 million for the 2023/24 financial year for the development and implementation of the New Zealand Traveller Declaration system.

The Minister of Customs is responsible for the non-departmental appropriations in the Vote for the 2023/24 financial year covering the following:

- a total of \$8 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.

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	2022/23		2023/24
	Final Budgeted \$000	Estimated Actual \$000	Budget \$000
<b>Departmental Output Expenses</b>			
<b>Border System Performance (M21) (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.	1,688	1,688	<b>1,700</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.	120,992	120,992	<b>127,250</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.	33,068	33,068	<b>35,303</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.	86,450	86,450	<b>90,960</b>
<b>Total Departmental Output Expenses</b>	242,198	242,198	255,213
<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.	21,054	21,054	21,054
<b>Total Departmental Capital Expenditure</b>	21,054	21,054	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>8,000</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	8,080
<b>Total Annual Appropriations and Forecast Permanent Appropriations</b>	279,332	279,332	284,347

## 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 2021/22	41,550
	Adjustments for 2022/23	(35,373)
	Adjusted Appropriation	50,197
	Actual to 2021/22 Year End	45,886
	Estimated Actual for 2022/23	4,311
	Estimate for 2023/24	-
	Estimated Appropriation Remaining	-
	<b>Traveller Declaration System Development (M21) (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 2021/22	-
	Adjustments for 2022/23	17,400
	Adjusted Appropriation	59,700
	Actual to 2021/22 Year End	9,852
	Estimated Actual for 2022/23	32,448
	Estimate for 2023/24	17,400
Estimated Appropriation Remaining	-	

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

	2022/23		2023/24
	Final Budgeted \$000	Estimated Actual \$000	Budget \$000
Total Annual Appropriations and Forecast Permanent Appropriations	279,332	279,332	284,347
Total Forecast MYA Departmental Output Expenses	36,759	36,759	17,400
<b>Total Annual Appropriations and Forecast Permanent Appropriations and Multi-Year Appropriations</b>	<b>316,091</b>	<b>316,091</b>	<b>301,747</b>

## Capital Injection Authorisations

	2022/23		2023/24
	Final Budgeted \$000	Estimated Actual \$000	Budget \$000
New Zealand Customs Service - Capital Injection (M21) (A3)	18,549	18,549	13,875

## Supporting Information

### Part 1 - Vote as a Whole

#### 1.1 - New Policy Initiatives

Policy Initiative	Appropriation	2022/23 Final Budgeted \$000	2023/24 Budget \$000	2024/25 Estimated \$000	2025/26 Estimated \$000	2026/27 Estimated \$000
New Zealand Customs Service - addressing cost pressures*	<b>Goods Clearance and Enforcement</b> Departmental Output Expense	-	1,616	2,712	3,823	3,823
	<b>Revenue Collection and Other Services</b> Departmental Output Expense	-	127	214	302	302
	<b>Travellers Clearance and Enforcement</b> Departmental Output Expense	-	1,220	2,051	2,891	2,891
Increasing Sector Capability to Respond to Growing Maritime Security Pressures	<b>Goods Clearance and Enforcement</b> Departmental Output Expense	-	1,010	1,252	1,252	1,252
Total Initiatives		-	3,973	6,229	8,268	8,268

\* These figures are the amount of additional Crown funding received. Further appropriation increases were approved as part of Budget 2023 that will be funded from Revenue Other.

## 1.2 - Trends in the Vote

### Summary of Financial Activity

	2018/19	2019/20	2020/21	2021/22	2022/23		2023/24			2024/25	2025/26	2026/27
	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	204,695	211,588	229,704	255,749	278,957	278,957	272,613	-	272,613	270,916	255,919	254,669
Benefits or Related Expenses	-	-	-	-	-	-	N/A	-	-	-	-	-
Borrowing Expenses	-	-	-	-	-	-	-	-	-	-	-	-
Other Expenses	5,754	14,240	12,908	12,117	16,080	16,080	-	8,080	8,080	8,080	8,080	8,080
Capital Expenditure	18,988	20,396	18,973	15,884	21,054	21,054	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>229,437</b>	<b>246,224</b>	<b>261,585</b>	<b>283,750</b>	<b>316,091</b>	<b>316,091</b>	<b>293,667</b>	<b>8,080</b>	<b>301,747</b>	<b>300,050</b>	<b>285,053</b>	<b>283,803</b>
<b>Crown Revenue and Capital Receipts</b>												
Tax Revenue	15,543,142	15,107,873	14,879,950	17,497,858	18,674,000	18,674,000	N/A	19,055,000	19,055,000	19,466,000	20,099,000	20,810,000
Non-Tax Revenue	-	8,067	11,047	14,029	13,580	13,580	N/A	13,580	13,580	14,080	14,080	14,580
Capital Receipts	-	-	-	-	-	-	N/A	-	-	-	-	-
<b>Total Crown Revenue and Capital Receipts</b>	<b>15,543,142</b>	<b>15,115,940</b>	<b>14,890,997</b>	<b>17,511,887</b>	<b>18,687,580</b>	<b>18,687,580</b>	<b>N/A</b>	<b>19,068,580</b>	<b>19,068,580</b>	<b>19,480,080</b>	<b>20,113,080</b>	<b>20,824,580</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 2018/19 of \$204.695 million and the Estimated Actual for 2022/23 of \$278.957 million), the net funding for Vote Customs has increased by \$74.262 million. The net change in the total appropriation primarily relates to additional operational funding for:

- Combating the Sexual Exploitation of Children Across our Cyber Border initiative - funding of \$2.179 million
- mitigating the risk of COVID-19 crossing the maritime border - funding of \$4.311 million in 2022/23
- supporting the provision of additional risk assurance measures and COVID-19 resurgence capability at maritime ports - \$7.700 million in 2022/23
- supporting the activities of the Border Executive Board - funding of \$1.688 million in 2022/23
- developing the New Zealand Traveller Declaration System - funding of \$32.448 million in 2022/23, and
- growth in the number and complexity of passengers and goods being processed across the border.

Annual appropriations for the purchase of departmental outputs total \$272.613 million for 2023/24, a reduction of \$6.344 million compared to 2022/23. The net change in the total appropriations primarily relates to a reduction of \$15.048 million due to less expenditure on the New Zealand Traveller Declaration project and a reduction of \$4.311 million due to the removal of infection prevention controls and managed isolation and quarantine requirements for arriving sea travellers under the Maritime Border Order. This reduction was partially offset by an increase of \$13.015 million that is primarily as a result of additional funding received to help address salary and wage cost pressures of \$7.407 million and to address trans-national organised crime in the maritime supply chain of \$6.500 million.

Departmental output expenses are currently expected to decrease to \$254.669 million by 2026/27. The decrease mainly reflects the planned cessation of time-limited funding received for the development of the New Zealand Traveller Declaration System.

#### *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.

#### *Non-Departmental Other Expenses*

The majority of funding in this category is to provide for doubtful debts relating to Crown revenue collected by the New Zealand Customs Service. 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 and is forecast to increase to \$20.810 billion by 2026/27.



## Part 2 - Details of Departmental Appropriations

### 2.1 - Departmental Output Expenses

#### Border System Performance (M21) (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*

	2022/23		2023/24
	Final Budgeted \$000	Estimated Actual \$000	Budget \$000
Total Appropriation	1,688	1,688	1,700
Revenue from the Crown	1,571	1,571	1,417
Revenue from Others	117	117	283

##### *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 to create a safe and smart border. This will be achieved through the provision of advice and services to the Border Executive Board, co-ordination of joint initiatives, and system stewardship to enable the border system to improve the wellbeing of New Zealanders.

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

	2022/23		2023/24
	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
Satisfaction of the responsible Minister with the provision of coordination, information and advice	Meets expectations	Meets expectations	Meets expectations

#### **Explanations - Removed performance measure**

One 2022/23 performance measure was removed, relating to the Border Executive Board's approval of a border sector strategy. As this is a key deliverable measure for 2022/23 and is expected to be completed in 2022/23, it has been removed for 2023/24.

Comment - Adjustments to the intention statement have been made to better reflect what is intended to be achieved through this appropriation and align with the current language used to describe the future border state.

### *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 2023/24 is due to contributions made by border sector agencies to ensure that the Border Executive Board receives the level of advice and services required to achieve its objectives.

## **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*

	2022/23		2023/24
	Final Budgeted \$000	Estimated Actual \$000	Budget \$000
Total Appropriation	120,992	120,992	127,250
Revenue from the Crown	61,156	61,156	58,842
Revenue from Others	53,222	53,222	62,825

### *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*

	2022/23		2023/24
	Final Budgeted Standard	Estimated Actual	Budget Standard
Assessment of Performance			
<b>Service provision and trade promotion</b>			
Percentage of trade transactions (other than those referred for compliance checks) processed (including assessment against business rules and intelligence alerts) within 5 minutes (see Explanation 1)	Adjusted measure	99.5%	98%
Number of new companies that have formally entered Customs' Authorised Economic Operator (Secure Exports Scheme) programme	12	12	12

Assessment of Performance	2022/23		2023/24
	Final Budgeted Standard	Estimated Actual	Budget Standard
<b>Clearance, compliance and risk management</b>			
Percentage of import transactions not requiring intervention after risk assessment (see Note 1)	98%	99.0%	98%
Percentage of export transactions not requiring intervention after risk assessment (see Note 1)	99%	99.5%	99%
Number of import mail items subject to risk-based physical examination	8,000-12,000	9,800	8,000-12,000
Result rate of physically examined mail items	30%	35.0%	30%
Result rate of physically examined import trade entries (see Explanation 2)	New measure	5.5%	5%-10%
Number of import trade entries that are subject to risk-based physical examination	20,000-30,000	23,500	20,000-30,000
Number of import transactions selected for random interventions (under Customs' Assurance programme) (see Note 2)	6,750	7,000	6,750
<b>Investigations and enforcement</b>			
Percentage of investigations (see Note 3), related to import or export of prohibited or restricted goods, where a punitive or harm reduction action is achieved (see Note 4 and Explanation 3)	Adjusted measure	75.0%	75%

## Notes

Note 1 - 'Intervention' means action by the New Zealand Customs Service (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 - A punitive action is when a penalty is applied in response to activity that is found to be non-compliant or illegal. It includes, but is not limited to, issuing warnings, fines or assessment notices, seizure of goods or assets, and/or initiating prosecution. Harm reduction actions refer to wider positive societal outcomes and includes, but is not limited to, disruption of criminal activity, community education or prevention of harm.

## Explanations - New or adjusted performance measures

Explanation 1 - This is an existing measure for which the trade transaction processing time has been reduced for 2023/24, from 30 minutes to 5 minutes, to reflect the improvement in the timeliness of Customs' trade transaction processing.

Explanation 2 - This is a new measure for 2023/24 that reflects how often Customs' physical examinations find prohibited or restricted items in the import trade stream. This measure has been included to complement the existing import trade physical examination measure.

Explanation 3 - This is an existing measure that has been adjusted for 2023/24. The measure for 2022/23 only referred to those investigations 'where prosecution is initiated'. Prosecution is only one of a range of potential outcomes Customs might seek when conducting enforcement outcomes and expanding the scope of this measure, to include other forms of punitive action or harm reduction outcomes, provides a more comprehensive reflection of Customs' investigative outcomes.

Comment - The majority of Customs' output performance measures have a minimum standard. The wording 'minimum' (used in the 2022/23 measures) has been removed from all relevant measures to ensure consistency and make them easier for readers to understand. In the few cases where the desired performance is less than the budget standard this is specifically indicated in the wording of the standard.

### *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	2022/23 Final Budgeted \$000	2023/24 Budget \$000	2024/25 Estimated \$000	2025/26 Estimated \$000	2026/27 Estimated \$000
Increasing Sector Capability to Respond to Growing Maritime Security Pressures	2023/24	-	1,010	1,252	1,252	1,252
New Zealand Customs Service - addressing cost pressures*	2023/24	-	1,616	2,712	3,823	3,823
Reprioritisation of Funding - Finding Savings through the Cost Recovery Review	2019/20	(766)	(766)	(766)	-	-
Drug Smuggling Networks: Strategic Disruption	2018/19	7,302	-	-	-	-

\* These figures are the amount of additional Crown funding received. Further appropriation increases were approved as part of Budget 2023 that will be funded from Revenue Other.

### *Reasons for Change in Appropriation*

The increase in this appropriation for 2023/24 is mainly due to:

- an increase of \$5 million that was approved as part of Budget 2023 (funded from Revenue Other) to help address trans-national organised crime in the maritime supply chain
- an increase of \$4.038 million that was approved as part of Budget 2023 to help address salary and wage cost pressures
- an increase of \$1.010 million that was approved as part of Budget 2023 to provide increased sector capability to respond to growing maritime security pressures
- a decrease of \$800,000 in 2022/23 due to the transfer of funding to future years to assist with deferred investment cost pressures
- a decrease of \$750,000 due to the transfer of funding from 2022/23 to 2023/24 to help address salary and wage cost pressures.

The increase is partially offset by:

- a decrease of \$7.700 million received in 2022/23 only to maintain an ongoing presence at ports to support maritime supply chain security
- a decrease of \$68,000 received in 2022/23 only to support the maritime automatic identification system.

### *Memorandum Account*

	2022/23		2023/24
	Budgeted \$000	Estimated Actual \$000	Budget \$000
<b>Goods Clearance and Enforcement Memorandum Account</b>			
Opening Balance at 1 July	(2,588)	(2,588)	(10,401)
Revenue	38,732	38,732	40,345
Expenses	(46,545)	(46,545)	(49,012)
Transfers and Adjustments	-	-	-
<b>Closing Balance at 30 June</b>	<b>(10,401)</b>	<b>(10,401)</b>	<b>(19,068)</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 revenue 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*

	2022/23		2023/24
	Final Budgeted \$000	Estimated Actual \$000	Budget \$000
Total Appropriation	33,068	33,068	35,303
Revenue from the Crown	31,224	31,224	33,068
Revenue from Others	1,920	1,920	2,311

### *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*

Assessment of Performance	2022/23		2023/24
	Final Budgeted Standard	Estimated Actual	Budget Standard
<b>Revenue collection</b>			
Percentage of revenue that is collected by the due date	98%	98.5%	98%
Percentage of substantial outstanding debts (see Note 1) that are reviewed each month (see Explanation 1)	New measure	98.0%	98%
Debt write-offs as a percentage of total Crown revenue collected (see Explanation 2)	0.06%	0.07%	0.08% or less
<b>Clearance, compliance and risk management</b>			
Number of risk-based trade compliance audit activities undertaken	200-300	200	200-300
Percentage of a random sample of import entries that are found to be accurate through the transactional verification process	90%	87.0%	90%
Percentage of investigations (see Note 2), related to fraud, financial crime or tax evasion, where a punitive or harm reduction action is achieved (see Note 3 and Explanation 3)	Adjusted measure	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	3.75	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
Percentage of draft replies to ministerial correspondence that are provided within 20 working days or as agreed with the Minister (see Note 4)	95%	97.0%	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%	98.0%	100%
<b>Other services</b>			
Percentage of external alerts processed in accordance with alert instructions	100%	99.9%	100%
Percentage of requests accepted by the National Maritime Coordination Centre which are assigned within 31 days	80%	90.0%	80%

### **Notes**

Note 1 - Substantial outstanding debts are debts that are outstanding for more than 60 days with amounts due remaining of greater than, or equal to, \$20,000.

Note 2 - '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 3 - A punitive action is when a penalty is applied in response to activity that is found to be non-compliant or illegal. It includes, but is not limited to, issuing warnings, fines or assessment notices, seizure of goods or assets, and/or initiating prosecution. Harm reduction actions refer to wider positive societal outcomes and includes, but is not limited to, disruption of criminal activity, community education, or prevention of harm.

Note 4 - For the purposes of this measure, 'working day' means a working day as defined in the Official Information Act 1982.

### Explanations - New or adjusted performance measures

Explanation 1 - This is a new measure for 2023/24 that reflects Customs' efforts to regularly review any significant existing outstanding debts. Customs' debt management strategy focuses on early identification and management of debt to reduce the risk of due debt becoming unrecoverable, and this measure provides assurance that substantial debts are routinely reviewed.

Explanation 2 - This is an existing measure for which the budget standard has been adjusted (increased from a maximum of 0.06% to 0.08% or less) for 2023/24 to reflect the expected increase in the write-off of debt related to tobacco smuggling. Tobacco smuggling debt is generally unrecoverable due to smugglers having limited recoverable assets, and illegal tobacco not being able to be resold for cost recovery.

Explanation 3 - This is an existing measure that has been adjusted for 2023/24. The measure for 2022/23 only referred to those investigations 'where prosecution is initiated'. Prosecution is only one of a range of potential outcomes Customs might seek when conducting enforcement outcomes and expanding the scope of this measure, to include other forms of punitive action or harm reduction outcomes, provides a more comprehensive reflection of Customs' investigative outcomes.

Comment - The majority of Customs' output performance measures have a minimum standard. The wording 'minimum' (used in the 2022/23 measures) has been removed from all relevant measures to ensure consistency and make them easier for readers to understand. In the few cases where the desired performance is less than the budget standard this is specifically indicated in the wording of the standard.

### *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	2022/23 Final Budgeted \$000	2023/24 Budget \$000	2024/25 Estimated \$000	2025/26 Estimated \$000	2026/27 Estimated \$000
New Zealand Customs Service - addressing cost pressures*	2023/24	-	127	214	302	302
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	2,179	2,179	-	-	-

\* These figures are the amount of additional Crown funding received. Further appropriation increases were approved as part of Budget 2023 that will be funded from Revenue Other.

### *Reasons for Change in Appropriation*

The increase in this appropriation for 2023/24 is mainly due to:

- an increase of \$1.028 million received in Budget 2022 to address tobacco smuggling
- a decrease of \$970,000 in 2022/23 due to the transfer of funding to 2023/24 and future years to address salary and wage cost pressures
- an increase of \$318,000 that was approved as part of Budget 2023 to help address salary and wage cost pressures.

The increase is partially offset by:

- a decrease of \$500,000 received in 2022/23 only to support the Border Alignment Project
- a decrease of \$120,000 due to the re-phasing of funding received in Budget 2022 to address tobacco smuggling.

### **Traveller Declaration System Development (M21) (A3)**

#### *Scope of Appropriation and Expenses*

Type, Title, Scope and Period of Appropriations	Appropriations, Adjustments and Use	\$000
<b>Traveller Declaration System Development (M21) (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 2021/22	-
	Adjustments for 2022/23	17,400
	Adjusted Appropriation	59,700
	Actual to 2021/22 Year End	9,852
	Estimated Actual for 2022/23	32,448
	Estimate for 2023/24	17,400
	Estimated Appropriation Remaining	-

#### *Revenue*

	Budget \$000
Revenue from the Crown to end of 2023/24	59,700
Revenue from Others to end of 2023/24	-
<b>Total Revenue</b>	<b>59,700</b>

#### *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*

Assessment of Performance	2022/23		2023/24
	Final Budgeted Standard	Estimated Actual	Budget Standard
Percentage of arriving travellers who complete their arrival declaration online (see Note 1 and Explanation 2)	New measure	-	70%
Percentage of arriving travellers who completed their digital arrival declaration in under 30 minutes (see Note 1 and Explanation 3)	New measure	-	90%
Percentage of arriving travellers who need to seek help from the contact centre in order to complete their arrival declaration (see Note 1 and Explanation 4)	New measure	-	3% or less

#### **Notes**

Note 1 - The New Zealand Traveller Declaration contains customs, biosecurity and immigration declarations. All arriving travellers must complete an arrival declaration except for those travellers who are exempt from this requirement.

#### **Explanations - Removed and new performance measures**

Explanation 1 - The two 2022/23 measures relating to the deployment of single solutions for processing of digital arrival declarations for each of air and sea travellers have been removed for 2023/24. These were measures relating to the development and delivery of the digital declaration system in 2022/23 and have been replaced by three new measures that reflect the operation of the digital declaration system in 2023/24.

Explanation 2 - This is a new measure for 2023/24 that reflects the uptake of the digital element of the New Zealand Traveller Declaration programme. Implementation of a digital declaration process is a key deliverable of this programme, and this measure reflects the degree of digital uptake in the first year of implementation.

Explanation 3 - This is a new measure for 2023/24 that reflects the time required for travellers to complete their declaration. This is a quality-of-service measure focusing on ensuring the New Zealand Traveller Declaration system does not place undue time burden on travellers.

Explanation 4 - This is a new measure for 2023/24 that reflects the ease of use of the system. This is a quality-of-service measure focusing on ensuring the New Zealand Traveller Declaration is easy and intuitive to complete.

Comment - The New Zealand Traveller Declaration, which will replace the physical arrival card, is not scheduled to begin operation until late June 2023. This means there is no prior year comparative data (no Estimated Actual result for 2022/23) for the three new measures.

### *End of Year Performance Reporting*

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

## 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

	2022/23		2023/24
	Final Budgeted \$000	Estimated Actual \$000	Budget \$000
Total Appropriation	86,450	86,450	90,960
Revenue from the Crown	862	862	2,652
Revenue from Others	91,940	91,940	127,379

### 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

	2022/23		2023/24
	Final Budgeted Standard	Estimated Actual	Budget Standard
Assessment of Performance			
<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%
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)	5%	2%	5%
Percentage of arriving small craft subject to Customs secondary interaction (see Note 2)	20%	20%	20%
<b>Air</b>			
Percentage of arriving international air passengers and crew not requiring intervention after risk assessment (see Note 3)	98%	99.5%	98%
Percentage of arriving international air passengers and crew who are selected for further risk assessment at Customs' secondary areas	0.4%-0.7%	0.5%	0.4%-0.7%
Result rate of secondary searches of arriving international air passengers and crew (see Note 4)	6.0%-10.0%	8.5%	6.0%-10.0%
Number of arriving air and sea passengers selected for random interventions (under Customs' Assurance programme) (see Note 5) (see Explanation 2)	Adjusted measure	800	2,150
<b>Investigations and enforcement</b>			
Percentage of investigations (see Note 6), related to travellers and their possessions, where a punitive or harm reduction action is achieved (see Note 7)	Adjusted measure	75.0%	75%

## 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 output maintains high levels of compliance, and acts as a check on risk assessments.

Note 3 - 'Intervention' means action by Customs 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% to 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 2,150 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 - A punitive action is when a penalty is applied in response to activity that is found to be non-compliant or illegal. It includes, but is not limited to, issuing warnings, fines or assessment notices, seizure of goods or assets, and/or initiating prosecution. Harm reduction actions refer to wider positive societal outcomes and includes, but is not limited to, disruption of criminal activity, community education, or prevention of harm.

## Explanations - New or adjusted performance measures

Explanation 1 - This is an existing measure that has been adjusted for 2023/24. The measure has been changed to include arriving sea passengers in addition to air passengers. The budget standard has been increased, from 1,500 to 2,150, to reflect the return of air passenger assurance sampling to pre-COVID-19 levels (2,000 selections) and the addition of cruise passenger assurance sampling (150 selections per annum) from 2023/24.

Explanation 2 - This is an existing measure that has been adjusted for 2023/24. The measure for 2022/23 only referred to those investigations 'where prosecution is initiated'. Prosecution is only one of a range of potential outcomes Customs might seek when conducting enforcement outcomes and expanding the scope of this measure, to include other forms of punitive action or harm reduction outcomes, provides a more comprehensive reflection of Customs' investigative outcomes.

Comment - The majority of Customs' output performance measures have a minimum standard. The wording 'minimum' (used in the 2022/23 measures) has been removed from all relevant measures to ensure consistency and make them easier for readers to understand. In the few cases where the desired performance is less than the budget standard this is specifically indicated in the wording of the standard.

### *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	2022/23 Final Budgeted \$000	2023/24 Budget \$000	2024/25 Estimated \$000	2025/26 Estimated \$000	2026/27 Estimated \$000
New Zealand Customs Service - addressing cost pressures*	2023/24	-	1,220	2,051	2,891	2,891

\* These figures are the amount of additional Crown funding received. Further appropriation increases were approved as part of Budget 2023 that will be funded from Revenue Other.

### *Reasons for Change in Appropriation*

The increase in this appropriation for 2023/24 is mainly due to:

- an increase of \$3.051 million that was approved as part of Budget 2023 to help address salary and wage cost pressures
- an increase of \$2.064 million for capital charge expenditure required for the Financial Sustainability capital injections received in prior year Budgets
- an increase of \$220,000 due to the transfer of funding from 2022/23 to 2023/24 and future years to help address salary and wage cost pressures.

The increase is partially offset by a decrease of \$3 million received in 2022/23 only to support airlines' transition to the increased Border Processing Levy rates that were introduced on 1 December 2021.

### *Memorandum Account*

Name of Memorandum Account	2022/23		2023/24
	Budgeted \$000	Estimated Actual \$000	Budget \$000
Opening Balance at 1 July	(60,985)	(60,985)	(44,957)
Revenue	91,940	99,597	127,379
Expenses	(83,569)	(83,569)	(85,950)
Transfers and Adjustments	-	-	-
<b>Closing Balance at 30 June</b>	<b>(52,614)</b>	<b>(44,957)</b>	<b>(3,528)</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 in place between March 2020 and July 2022. 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 was 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 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*

	2022/23		2023/24
	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	-	-	-
<b>Total Appropriation</b>	<b>21,054</b>	<b>21,054</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*

	2022/23		2023/24
	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.

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

Details of Net Asset Schedule	2022/23 Estimated Actual \$000	2023/24 Projected \$000	Explanation of Projected Movements in 2023/24
Opening Balance	173,347	160,805	
Capital Injections	18,549	13,875	The capital injections received relate to the New Zealand Traveller Declaration project (\$13.600 million) and to address tobacco smuggling (\$275,000)
Capital Withdrawals	(30,905)	-	
Surplus to be Retained (Deficit Incurred)	(186)	33,564	The retained surplus reflects improved amounts of Border Processing Levy earned following the lifting of COVID-19 related border restriction. Surplus Border Processing Levy funds will be returned to the Crown as part of scheduled capital withdrawals that will return capital received during the COVID-19 pandemic when Border Processing Levy revenue levels were low
Other Movements	-	-	
<b>Closing Balance</b>	<b>160,805</b>	<b>208,244</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*

	2022/23		2023/24
	Final Budgeted \$000	Estimated Actual \$000	Budget \$000
Total Appropriation	16,000	16,000	8,000

##### *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*

	2022/23		2023/24
	Final Budgeted Standard	Estimated Actual	Budget Standard
Assessment of Performance			
Debt write-offs as a percentage of total Crown revenue collected (see Explanation 1)	0.06%	0.07%	0.08% or less

#### **Explanation - Adjusted performance measure**

Explanation 1 - This is an existing measure for which the budget standard has been adjusted (increased from a maximum of 0.06% to 0.08% or less) for 2023/24 to reflect the expected increase in the write-off of debt related to tobacco smuggling. Tobacco smuggling debt is generally unrecoverable due to smugglers having limited recoverable assets, and illegal tobacco not being able to be resold for cost recovery.

##### *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.

##### *Reasons for Change in Appropriation*

The reduction in this appropriation for 2023/24 is due to one-off funding received in 2022/23 for the provision of doubtful debts linked to disruptions caused by COVID-19 on businesses and their ability to pay any duties or GST owed.



## World Customs Organization (M21) (A3)

### *Scope of Appropriation*

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

### *Expenses*

	2022/23		2023/24
	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*

	2022/23		2023/24
	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.