

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 \$18.293 billion in the 2024/25 financial year.

The Minister of Customs is responsible for the departmental appropriations in the Vote for the 2024/25 financial year covering the following:

- 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 Multi-Category Expenses and Capital Expenditure appropriation in the Vote for the 2024/25 financial year covering the following:

- a total of just over \$133 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 \$121 million for services relating to travellers crossing borders and the protection of New Zealand through interventions, investigations and enforcement, and
- a total of just over \$39 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.

The Minister of Customs is responsible for the non-departmental appropriations in the Vote for the 2024/25 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	2023/24		2024/25
	Final Budgeted \$000	Estimated Actual \$000	Budget \$000
Departmental Output Expenses			
Border System Performance (M21) (A3) 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.	2,000	2,000	1,950
Goods Clearance and Enforcement (M21) (A3) 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.	121,073	121,073	-
Revenue Collection and Other Services (M21) (A3) 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.	39,119	39,119	-
Travellers Clearance and Enforcement (M21) (A3) 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.	93,784	93,784	-
Total Departmental Output Expenses	255,976	255,976	1,950
Departmental Capital Expenditure			
New Zealand Customs Service - Capital Expenditure PLA (M21) (A3) 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
Total Departmental Capital Expenditure	21,054	21,054	21,054
Non-Departmental Other Expenses			
Change in Doubtful Debt Provision (M21) (A3) Provisioning of Doubtful Debts on Customs Crown Revenue.	8,000	8,000	8,000
World Customs Organization (M21) (A3) New Zealand's contribution to the operating budget of the WCO.	80	80	80
Total Non-Departmental Other Expenses	8,080	8,080	8,080
Multi-Category Expenses and Capital Expenditure			
Border Clearance and Risk Management MCA (M21) (A3) The single overarching purpose of this appropriation is to promote the smooth two-way flow of travellers and goods across the New Zealand and international borders.	-	-	293,099
Departmental Output Expenses			
Goods Clearance and Enforcement This category is limited to the provision of services related to goods crossing borders, including trade compliance, and the protection of New Zealand through interventions, investigations, and enforcement.	-	-	133,161

Titles and Scopes of Appropriations by Appropriation Type	2023/24		2024/25
	Final Budgeted \$000	Estimated Actual \$000	Budget \$000
<i>Revenue Collection and Other Services</i> This category is limited to the collection of Crown revenue, the provision of Customs-related services, support and advice to other government agencies or organisations, including international Customs organisations, and the provision of advice and services to support Ministers to discharge their portfolio responsibilities relating to Customs.	-	-	39,405
<i>Travellers Clearance and Enforcement</i> This category is limited to the provision of services relating to travellers crossing borders and the protection of New Zealand through interventions, investigations, and enforcement.	-	-	120,533
Total Multi-Category Expenses and Capital Expenditure	-	-	293,099
Total Annual Appropriations and Forecast Permanent Appropriations	285,110	285,110	324,183

Multi-Year Appropriations

Type, Title, Scope and Period of Appropriations	Appropriations, Adjustments and Use	\$000
Departmental Output Expenses		
Traveller Declaration System Development (M21) (A3) 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 2022/23	17,400
	Adjustments for 2023/24	20,200
	Adjusted Appropriation	79,900
	Actual to 2022/23 Year End	30,594
	Estimated Actual for 2023/24	49,306
	Estimate for 2024/25	-
	Estimated Appropriation Remaining	-

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

	2023/24		2024/25
	Final Budgeted \$000	Estimated Actual \$000	Budget \$000
Total Annual Appropriations and Forecast Permanent Appropriations	285,110	285,110	324,183
Total Forecast MYA Departmental Output Expenses	49,306	49,306	-
Total Annual Appropriations and Forecast Permanent Appropriations and Multi-Year Appropriations	334,416	334,416	324,183

Capital Injection Authorisations

	2023/24		2024/25
	Final Budgeted \$000	Estimated Actual \$000	Budget \$000
New Zealand Customs Service - Capital Injection (M21) (A3)	17,875	17,875	-

Supporting Information

Part 1 - Vote as a Whole

1.1 - New Policy Initiatives

Policy Initiative	Appropriation	2023/24 Final Budgeted \$000	2024/25 Budget \$000	2025/26 Estimated \$000	2026/27 Estimated \$000	2027/28 Estimated \$000
Reduction in Discretionary Expenditure - New Zealand Customs Service	Border Clearance and Risk Management (MCA)	-	(1,200)	(1,200)	(1,200)	(1,200)
Total Initiatives		-	(1,200)	(1,200)	(1,200)	(1,200)

1.2 - Trends in the Vote

Summary of Financial Activity

	2019/20	2020/21	2021/22	2022/23	2023/24		2024/25			2025/26	2026/27	2027/28
	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
Appropriations												
Output Expenses	-	22,985	34,400	25,585	51,306	51,306	1,950	-	1,950	1,950	1,700	1,700
Benefits or Related Expenses	-	-	-	-	-	-	N/A	-	-	-	-	-
Borrowing Expenses	-	-	-	-	-	-	-	-	-	-	-	-
Other Expenses	14,240	12,908	12,117	1,223	8,080	8,080	-	8,080	8,080	8,080	8,080	8,080
Capital Expenditure	20,396	18,973	15,884	38,124	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>	211,588	206,719	221,349	232,095	253,976	253,976	293,099	-	293,099	293,102	292,102	292,102
<i>Other Expenses</i>	-	-	-	-	-	-	-	-	-	-	-	-
<i>Capital Expenditure</i>	-	-	-	-	-	-	N/A	-	-	-	-	-
Total Appropriations	246,224	261,585	283,750	297,027	334,416	334,416	316,103	8,080	324,183	324,186	322,936	322,936
Crown Revenue and Capital Receipts												
Tax Revenue	15,107,873	14,879,950	17,497,858	18,551,760	17,547,000	17,547,000	N/A	18,279,000	18,279,000	19,304,000	20,427,000	21,550,000
Non-Tax Revenue	8,067	11,047	14,029	14,434	13,300	13,300	N/A	13,880	13,880	13,880	14,380	14,380
Capital Receipts	-	-	-	-	-	-	N/A	-	-	-	-	-
Total Crown Revenue and Capital Receipts	15,115,940	14,890,997	17,511,887	18,566,194	17,560,300	17,560,300	N/A	18,292,880	18,292,880	19,317,880	20,441,380	21,564,380

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

For 2024/25 onwards, the following three departmental output expense appropriations will be replaced by the new Multi-Category Expenses and Capital Expenditure appropriation - *Border Clearance and Risk Management*:

- Goods Clearance and Enforcement
- Revenue Collection and Other Services
- Travellers Clearance and Enforcement.

Three output expense categories within the new Multi-Category Expenses and Capital Expenditure appropriation - *Border Clearance and Risk Management* align with the three appropriations being replaced.

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 2019/20 of \$211.588 million and the Estimated Actual for 2023/24 of \$305.282 million), the net funding for Vote Customs has increased by \$93.694 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 - ongoing funding of \$1 million in 2023/24
- improving the ability to manage risks and protect New Zealand from imported threats - ongoing funding of \$5.349 million in 2023/24
- reducing the harm associated with illicit drug smuggling - ongoing funding of \$3.790 million in 2023/24
- supporting the activities of the Border Executive Board - funding of \$2 million in 2023/24
- strengthening the focus on tobacco smuggling - funding of \$2.586 million in 2023/24
- addressing cost pressures relating to growing salary and operating costs - funding of \$7.407 million in 2023/24
- increasing sector capability to respond to growing maritime security pressures - funding of \$1.010 million in 2023/24
- developing the New Zealand Traveller Declaration System - a total of \$49.306 million in 2023/24
- addressing transnational organised crime in the maritime supply chain - funding of \$5 million in 2023/24, 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 \$295.049 million for 2024/25, a reduction of \$10.233 million compared to 2023/24. The reduction is due to the cessation of time-limited funding of \$49.306 million received in 2023/24 for the development of the New Zealand Traveller Declaration System. This decrease is partly offset by an increase in third-party funding of \$10 million through a Budget 2023 initiative to address the impact of transnational organised crime in the maritime supply chain, and an increase in third-party funding for the ongoing operating costs of the New Zealand Traveller Declaration of \$26.100 million.

From 2024/25 onwards estimated departmental output expenses remain steady over the forecast period.

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 funding provided from 2019/20 to 2021/22 to manage the risk of increased doubtful debts due to the impact of COVID-19 on import and export activity.

From 2024/25 onwards non-departmental other expenses remain steady over the 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. 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 \$21.564 billion by 2027/28.

1.4 - Reconciliation of Changes in Appropriation Structure

2023/24 Appropriations in the 2023/24 Structure	2023/24 (Current) \$000	Old Structure		New Structure		
		Appropriations to which Expenses (or Capital Expenditure) have been Moved from or to	Amount Moved \$000	2023/24 Appropriations in the 2024/25 Structure	2023/24 (Restated) \$000	2024/25 \$000
Departmental Output Expenses				Multi-Category Expenses and Capital Expenditure (MCA)		
Goods Clearance and Enforcement	121,073	Transferred to Border Clearance and Risk Management (MCA) category - Goods Clearance and Enforcement	(121,073)	Border Clearance and Risk Management (MCA)	253,976	293,099
Revenue Collection and Other Services	39,119	Transferred to Border Clearance and Risk Management (MCA) category - Revenue Collection and Other Services	(39,119)			
Travellers Clearance and Enforcement	93,784	Transferred to Border Clearance and Risk Management (MCA) category - Travellers Clearance and Enforcement	(93,784)			
Total changes to Appropriations	253,976		(253,976)		253,976	293,099

Explanations of the reasons for changing the appropriation structure are noted in the details of each appropriation in Parts 2-4.

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

	2023/24		2024/25
	Final Budgeted \$000	Estimated Actual \$000	Budget \$000
Total Appropriation	2,000	2,000	1,950
Revenue from the Crown	1,717	1,717	1,667
Revenue from Others	283	283	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

	2023/24		2024/25
	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

End of Year Performance Reporting

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

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

	2023/24		2024/25
	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	-	-	-
Total Appropriation	21,054	21,054	21,054

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

	2023/24		2024/25
	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	2023/24 Estimated Actual \$000	2024/25 Projected \$000	Explanation of Projected Movements in 2024/25
Opening Balance	178,770	195,978	
Capital Injections	17,875	-	
Capital Withdrawals	(21,485)	-	
Surplus to be Retained (Deficit Incurred)	20,818	5,074	The retained surplus reflects the forecast movements in the memorandum accounts for Border Processing Levy and Goods Clearance Fees.
Other Movements	-	-	
Closing Balance	195,978	201,052	

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.
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Expenses

	2023/24		2024/25
	Final Budgeted \$000	Estimated Actual \$000	Budget \$000
Total Appropriation	8,000	8,000	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

	2023/24		2024/25
	Final Budgeted Standard	Estimated Actual	Budget Standard
Assessment of Performance			
Debt write-offs as a percentage of total Crown revenue collected	0.08% or less	0.08%	0.08% or less

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.
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Expenses

	2023/24		2024/25
	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

	2023/24		2024/25
	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.

Part 4 - Details of Multi-Category Expenses and Capital Expenditure

4 - Multi-Category Expenses and Capital Expenditure

Border Clearance and Risk Management (M21) (A3)

Overarching Purpose Statement

The single overarching purpose of this appropriation is to promote the smooth two-way flow of travellers and goods across the New Zealand and international borders.

Scope of Appropriation

Departmental Output Expenses

Goods Clearance and Enforcement

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

Revenue Collection and Other Services

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

Travellers Clearance and Enforcement

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

Expenses, Revenue and Capital Expenditure

	2023/24		2024/25
	Final Budgeted \$000	Estimated Actual \$000	Budget \$000
Total Appropriation	-	-	293,099
Departmental Output Expenses			
Goods Clearance and Enforcement	-	-	133,161
Revenue Collection and Other Services	-	-	39,405
Travellers Clearance and Enforcement	-	-	120,533
Funding for Departmental Output Expenses			
Revenue from the Crown	-	-	96,164
Goods Clearance and Enforcement	-	-	55,951
Revenue Collection and Other Services	-	-	38,118
Travellers Clearance and Enforcement	-	-	2,095

	2023/24		2024/25
	Final Budgeted \$000	Estimated Actual \$000	Budget \$000
Revenue from Others	-	-	202,009
Goods Clearance and Enforcement	-	-	57,884
Revenue Collection and Other Services	-	-	1,363
Travellers Clearance and Enforcement	-	-	142,762

Comparators for Restructured Appropriation

Vote, Type and Title of Appropriation	2023/24		2024/25
	Final Budgeted \$000	Estimated Actual \$000	Budget \$000
Vote Customs Departmental Output Expenses - Goods Clearance and Enforcement	121,073	121,073	-
Vote Customs Departmental Output Expenses - Revenue Collection and Other Services	39,119	39,119	-
Vote Customs Departmental Output Expenses - Travellers Clearance and Enforcement	93,784	93,784	-
Total	253,976	253,976	293,099

Prior to the 2024/25 financial year, Customs had three separate appropriations for the delivery of traveller and goods clearance services, revenue collection and other services. Funding for the delivery of these services has been consolidated into a single Multi-Category Expenses and Capital Expenditure appropriation.

Three categories have been created within this appropriation to ensure the same level of financial transparency and performance accountability is retained. Changes in the funding level between the former output expense appropriations and the corresponding categories within the new Multi-Category Expenses and Capital Expenditure appropriation is explained below in the Reasons for Change in Appropriation section.

This Multi-Category Expenses and Capital Expenditure appropriation becomes effective from 1 July 2024. The 2023/24 performance measures of the three output expense appropriations that this appropriation replaces are included here for contextual and comparison purposes.

What is Intended to be Achieved with this Appropriation

This appropriation is intended to achieve secure and efficient border processes for trade and travel to and from New Zealand and well-functioning customs services that collect Crown revenue to improve the wellbeing of New Zealanders.

How Performance will be Assessed for this Appropriation

Assessment of Performance	2023/24		2024/25
	Final Budgeted Standard	Estimated Actual	Budget Standard
Percentage of import transactions not requiring intervention after risk assessment (see Note 1)	98%	99.6%	98%
Percentage of export transactions not requiring intervention after risk assessment (see Note 1)	99%	99.8%	99%
Percentage of revenue that is collected by the due date	98%	98.8%	98%
Percentage of arriving international air passengers and crew not requiring intervention after risk assessment (see Note 2)	98%	99.6%	98%

Note 1 - 'Intervention' means action by the New Zealand Customs Service (Customs) to carry out further risk assessment. For import/export transactions this may include, but is not limited to, document inspection, screening, or search.

Note 2 - 'Intervention' means action by Customs to carry out further risk assessment. For passengers and crew 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.

What is Intended to be Achieved with each Category and How Performance will be Assessed

Assessment of Performance	2023/24		2024/25
	Final Budgeted Standard	Estimated Actual	Budget Standard
Departmental Output Expenses			
Goods Clearance and Enforcement			
This category is intended to achieve secure and efficient border processes for trade to and from New Zealand, to improve the wellbeing of New Zealanders.			
Service provision and trade promotion			
Percentage of trade transactions (other than those referred for compliance checks) processed (including assessment against business rules and intelligence) within 5 minutes	98%	99.1%	98%
Number of new companies that have formally entered Customs' Authorised Economic Operator (Secure Exports Scheme) programme	12	50	12
Clearance, compliance, and risk management			
Number of import mail items subject to risk-based physical examination	8,000 - 12,000	9,300	8,000 - 12,000
Result rate of physically examined mail items	30%	53.7%	30%
Number of import trade entries that are subject to risk-based physical examination	20,000 - 30,000	20,500	20,000 - 30,000
Result rate of physically examined import trade entries	5% - 10%	7.2%	5% - 10%
Number of import transactions selected for random interventions (under Customs' Assurance programme) (see Note 1)	6,750	9,200	6,750

	2023/24		2024/25
	Final Budgeted Standard	Estimated Actual	Budget Standard
Assessment of Performance			
<i>Investigations and enforcement</i>			
Percentage of investigations (see Note 2), related to import or export of prohibited or restricted goods, where a punitive or harm reduction action is achieved (see Note 3)	75%	86%	75%
Revenue Collection and Other Services			
This category is intended to achieve a well-functioning Customs Service that collects Crown Revenue to improve the wellbeing of New Zealanders.			
<i>Revenue collection</i>			
Percentage of substantial outstanding debts (see Note 4) that are reviewed each month	98%	100%	98%
Debt write-offs as a maximum percentage of total Crown revenue collected (see Note 5)	0.08% or less	0.08%	0.08% or less
<i>Clearance, compliance, and risk management</i>			
Number of risk-based trade compliance audit activities undertaken	200 - 300	500	200 - 300
Percentage of a random sample of import entries that are found to be accurate through the transactional verification process	90%	92.4%	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)	75%	100%	75%
<i>Policy advice</i>			
Assessment of the quality of a sample of the agency's policy advice papers:			
a) Average score of papers	3.5 out of 5	3.75	3.5 out of 5
b) 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
<i>Ministerial servicing</i>			
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 6)	95%	100%	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%
<i>Other services</i>			
Percentage of external alerts processed in accordance with alert instructions	100%	100%	100%
Percentage of requests accepted by the National Maritime Coordination Centre which are assigned within 31 days (see Explanation 1)	95%	100%	95%

	2023/24		2024/25
	Final Budgeted Standard	Estimated Actual	Budget Standard
Assessment of Performance			
Travellers Clearance and Enforcement			
This category is intended to achieve secure and efficient border processes for travel to and from New Zealand, to improve the wellbeing of New Zealanders.			
Air			
Percentage of arriving international air passengers and crew who are selected for further risk assessment at Customs' secondary areas	0.4% - 0.7%	0.4%	0.4% - 0.7%
Result rate of secondary searches of arriving international air passengers and crew (see Note 7)	6% - 10%	8.3%	6% - 10%
Number of arriving air and sea passengers selected for random interventions (under Customs' Assurance programme) (see Note 8)	2,150	2,400	2,150
Sea			
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 9)	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 10)	5%	6%	5%
Percentage of arriving small craft subject to Customs secondary interaction (see Note 10)	20%	20%	20%
Traveller Declaration System			
Percentage of arriving travellers who complete their arrival declaration online (see Note 11 and Explanations 2 and 3)	45%	45%	70%
Percentage of arriving travellers who completed their digital arrival declaration in under 30 minutes (see Note 11 and Explanations 2 and 4)	Returning measure	-	90%
Percentage of arriving travellers who need to seek help from the contact centre in order to complete their arrival declaration (see Note 11 and Explanation 2)	3% or less	1%	3% or less
Investigations and enforcement			
Percentage of investigations (see Note 2), related to travellers and their possessions, where a punitive or harm reduction action is achieved (see Note 3)	75%	82%	75%

Note 1 - 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 2 - 'Investigations' refers to investigations completed by the Customs Investigations Unit (CIU).

Note 3 - A punitive action is when a penalty is applied in response to activity that is found to be noncompliant 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 - 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 5 - This measure includes the expected 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.

Note 6 - For the purposes of this measure, 'working day' means a working day as defined in the Official Information Act 1982.

Note 7 - A proportion 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 8 - 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 9 - 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 10 - '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 11 - The New Zealand Traveller Declaration contains customs, biosecurity, and immigration declarations.

Comment - Several Customs output performance measures have a minimum standard. In the few cases where the desired performance is less than the budget standard this is specifically indicated in the wording of the standard.

Explanations - Adjusted and returning performance measure

Explanation 1 - This is an existing measure for which the standard has been adjusted for 2024/25. The standard was increased from 80% to 95% as a more accurate reflection of good performance.

Explanation 2 - For 2023/24 this performance measure was assessed under the Vote Customs multi-year departmental output expense appropriation *Traveller Declaration System Development*.

Explanation 3 - This is an existing measure for which the standard has been adjusted for 2024/25. Increasing the use of digital services is a key priority for Customs. Customs aims to increase and maintain the uptake of digital declarations to 70% from 31 December 2024 to 30 June 2025.

Explanation 4 - This performance measure had been removed for 2023/24 but has been reinstated for 2024/25. The time required to complete a declaration is a quality-of-service measure focusing on ensuring the New Zealand Traveller Declaration system does not place an undue time burden on travellers. The measure was removed for 2023/24 because the available data did not capture what Customs had intended to achieve during the 2023/24 reporting period. For 2024/25, improved functionality to measure the time an individual is actively completing the declaration will enable the assessment of performance against 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.

Current and Past Policy Initiatives

Policy Initiative	Year of First Impact	2023/24 Final Budgeted \$000	2024/25 Budget \$000	2025/26 Estimated \$000	2026/27 Estimated \$000	2027/28 Estimated \$000
Goods Clearance and Enforcement:						
Current Government						
Reduction in Discretionary Expenditure	2024/25	-	(485)	(485)	(485)	(485)
Previous Government						
Increasing Sector Capability to Respond to Growing Maritime Security Pressures	2023/24	-	1,252	1,252	1,252	1,252
New Zealand Customs Service - addressing cost pressures	2023/24	-	2,712	3,823	3,823	3,823
Reprioritisation of Funding - Finding Savings through the Cost Recovery Review	2019/20	-	(766)	-	-	-
Revenue Collection and Other Services:						
Current Government						
Reduction in Discretionary Expenditure	2024/25	-	(298)	(298)	(298)	(298)
Previous Government						
New Zealand Customs Service - addressing cost pressures	2023/24	-	214	302	302	302
Addressing Tobacco Smuggling	2022/23	-	2,132	3,272	-	-
Travellers Clearance and Enforcement:						
Current Government						
Reduction in Discretionary Expenditure	2024/25	-	(417)	(417)	(417)	(417)
Previous Government						
New Zealand Customs Service - addressing cost pressures	2023/24	-	2,051	2,891	2,891	2,891

Reasons for Change in Appropriation

The movements below are in comparison to the Supplementary Estimates of Appropriations for the 2023/24 Departmental Output Expense Appropriations.

This appropriation increased by \$39.123 million in 2024/25 when compared to the three output expense appropriations that it replaced, mainly due to an increase of \$12.088 million in the Goods Clearance and Enforcement category and an increase of \$26.749 million in the Travellers Clearance and Enforcement category. Detail on these increases is set out below:

Goods Clearance and Enforcement

The increase of \$12.088 million in this category for 2024/25 is mainly due to:

- an increase of \$10 million that was approved as part of Budget 2023 (funded from Revenue Other) to target transnational organised crime in the maritime supply chain

- an increase of \$1 million in 2024/25 due to funding transferred from 2023/24 to assist with deferred investment cost pressures, and
- an increase of \$2.743 million approved as part of Budget 2023 to help address salary and wage cost pressures.

The increase is partially offset by:

- a decrease of \$6.349 million in 2024/25 due to a fiscally neutral transfer between departmental appropriations to more accurately reflect the allocation of expenditure against the activities that Customs performs, and
- a decrease of \$485,000 in 2024/25 due to a reduction in discretionary expenditure as part of Budget 2024 to contribute to the Government's fiscal strategy.

Travellers Clearance and Enforcement

The increase of \$26.749 million in this category for 2024/25 is mainly due to:

- an increase of \$26.100 million (funded from Revenue Other) to cover the ongoing operating costs of the New Zealand Traveller Declaration, and
- an increase of \$2.075 million approved as part of Budget 2023 to help address salary and wage cost pressures.

The increase is partially offset by a decrease of \$41,000 in 2024/25 due to a reduction in discretionary expenditure as part of Budget 2024 to contribute to the Government's fiscal strategy.

Memorandum Account

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. Memorandum accounts allow 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).

There are two memorandum accounts within this appropriation covering the Border Processing Levy and Goods Clearance Fees. The Border Processing Levy memorandum account records revenue earned and the cost incurred of clearing travellers arriving in and departing from New Zealand. The Goods Clearance Fee memorandum account records revenue earned and the cost incurred of clearing certain goods across the border. The Border Processing Levy and Goods Clearance Fees are set at levels designed to bring any accumulated surplus or deficit to zero over a three to five year period.

	2023/24		2024/25
	Budgeted \$000	Estimated Actual \$000	Budget \$000
Goods Clearance Fees			
Opening Balance at 1 July	(10,401)	(6,494)	(9,769)
Revenue	40,345	45,343	49,899
Expenses	(49,012)	(50,664)	(58,858)
Transfers and Adjustments	-	2,046	5,324
Closing Balance at 30 June	(19,068)	(9,769)	(13,401)

	2023/24		2024/25
	Budgeted \$000	Estimated Actual \$000	Budget \$000
Border Processing Levy			
Opening Balance at 1 July	(44,975)	(39,300)	8,535
Revenue	127,379	135,679	142,763
Expenses	(85,950)	(89,430)	(128,204)
Transfers and Adjustments	-	1,586	7,212
Closing Balance at 30 June	(3,528)	8,535	30,305

The Goods Clearance Fees memorandum account is currently in deficit. This deficit is expected to grow as the revenue provided through goods fees is insufficient to cover the cost of clearing goods across the border. Higher costs are mainly due to increased salary and wage costs and general inflation. Customs expects to introduce a revised Goods Fees Framework in 2025 that will address this current deficit and aim to avoid the accumulation of surpluses or deficits in the future.

The Border Processing Levy memorandum account is currently in surplus as revenue recovered faster than expected once borders reopened following the COVID-19 pandemic. From 2024/25 onwards, revenue is forecast to exceed expenditure. When levy rates are reset in December 2024, they will be set at levels aimed to avoid the accumulation of surpluses or deficits.