

Vote Customs

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

APPROPRIATION ADMINISTRATOR: New Zealand Customs Service

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 \$16,001 million in the 2019/20 financial year.

The Minister of Customs is also responsible for the departmental appropriations in the Vote for the 2019/20 financial year covering the following:

- a total of nearly \$10 million for services relating to clearance of craft crossing the border and the protection of New Zealand (through interventions, investigations and enforcement) from risk arising from international craft movements
- a total of nearly \$91 million for services relating to the facilitation and clearance of goods crossing the border and the protection of New Zealand (through interventions, investigations and enforcement) from risk arising from international trade
- a total of over \$78 million for services relating to the facilitation and clearance of passengers and crew crossing the border and the protection of New Zealand (through interventions, investigations and enforcement) from risk arriving from international travel
- a total of over \$15 million on information, intelligence and risk assessment services relating to people, goods and craft crossing the border, and goods that attract excise duties
- a total of over \$10 million on representing New Zealand in the international customs environment and providing services and support to the Minister
- a total of over \$5 million on policy advice to Ministers relating to border security, border management, and customs revenue
- a total of over \$10 million on collecting revenue on behalf of the Crown, and
- a total of nearly \$13 million for capital investment in departmental assets.

The Minister of Customs is also responsible for a capital injection of nearly \$3 million to the New Zealand Customs Service.

The Minister of Customs is also responsible for the non-departmental appropriations in the Vote for the 2019/20 financial year covering the following:

- a total of \$8 million to provide for doubtful debts on revenue collected for the Crown
- a total of \$80,000 for payment of New Zealand's annual contribution to the World Customs Organization's operating budget, and
- a total of \$5,000 for the provision of ACC-equivalent cover for New Zealand Customs Service employees working overseas.

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	2018/19		2019/20
	Final Budgeted \$000	Estimated Actual \$000	Budget \$000
Departmental Output Expenses			
Clearance and Enforcement Services Related to Craft (M21) This appropriation is limited to the provision of services relating to craft arriving in and departing from New Zealand, including clearance of craft, and protection of New Zealand's interests through interventions, investigations and enforcement.	8,979	8,979	9,985
Clearance and Enforcement Services Related to Goods (M21) This appropriation is limited to the provision of services relating to goods crossing the border, including clearance of goods, assessment and audit of revenue, trade compliance and supply chain security assurance, and protection of New Zealand's interests through interventions, audits, investigations and enforcement.	89,979	89,979	90,981
Clearance and Enforcement Services Related to Passengers and Crew (M21) This appropriation is limited to the provision of services relating to passengers and crew crossing the border, including collecting information, clearance of people and their possessions, and protection of New Zealand's interests through interventions, investigations and enforcement.	71,982	71,982	78,327
Information and Intelligence Services (M21) This appropriation is limited to the provision of information, intelligence and risk assessment services to external clients, and the operation of the National Maritime Coordination Centre.	13,231	13,231	15,652
International Services and Ministerial Servicing (M21) This appropriation is limited to the provision of international services, obligations, and assistance, and the provision of services to Ministers to enable them to discharge their portfolio (other than policy decision-making) responsibilities.	10,692	10,692	10,259
Policy Advice (M21) This appropriation is limited to the provision of advice (including second opinion advice and contributions to policy advice led by other agencies) to support decision-making by Ministers on government policy matters.	3,902	3,902	5,384
Revenue Collection (M21) This appropriation is limited to the provision of services relating to receipt and processing of revenues owing to the Crown and other agencies, revenue assurance, credit and debt management.	10,320	10,320	10,373
Total Departmental Output Expenses	209,085	209,085	220,961
Departmental Capital Expenditure			
New Zealand Customs Service - Capital Expenditure PLA (M21) 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.	31,871	31,871	12,655
Total Departmental Capital Expenditure	31,871	31,871	12,655

Titles and Scopes of Appropriations by Appropriation Type	2018/19		2019/20
	Final Budgeted \$000	Estimated Actual \$000	Budget \$000
Non-Departmental Other Expenses			
Change in Doubtful Debt Provision (M21) Provisioning of Doubtful Debts on Customs Crown Revenue.	8,000	8,000	8,000
Provision of ACC-equivalent cover for New Zealand employees working overseas PLA (M21) This appropriation is limited to payments authorised by section 65ZG of the Public Finance Act 1989 under the indemnity given by the Minister of Finance under section 65ZD of that Act for the provision of ACC-equivalent cover New Zealand employees working overseas as specified in the indemnity.	5	5	5
World Customs Organization (M21) New Zealand's contribution to the operating budget of the WCO.	80	80	80
Total Non-Departmental Other Expenses	8,085	8,085	8,085
Total Annual Appropriations and Forecast Permanent Appropriations	249,041	249,041	241,701

Capital Injection Authorisations

	2018/19		2019/20
	Final Budgeted \$000	Estimated Actual \$000	Budget \$000
New Zealand Customs Service - Capital Injection (M21)	2,742	2,742	2,603

Supporting Information

Part 1 - Vote as a Whole

1.1 - New Policy Initiatives

Policy Initiative	Appropriation	2018/19 Final Budgeted \$000	2019/20 Budget \$000	2020/21 Estimated \$000	2021/22 Estimated \$000	2022/23 Estimated \$000
Combating the Sexual Exploitation of Children Across our Cyber Border	Information and Intelligence Services Departmental Output Expenses	-	1,247	2,028	2,160	2,179
	New Zealand Customs Service Capital Injection	-	1,945	430	150	150
Reprioritisation of Funding - Finding Savings through the Cost Recovery Review	Clearance and Enforcement Services Related to Goods Departmental Output Expenses	-	(512)	(765)	(766)	(766)
Total Initiatives		-	2,680	1,693	1,544	1,563

1.2 - Trends in the Vote

Summary of Financial Activity

	2014/15	2015/16	2016/17	2017/18	2018/19		2019/20			2020/21	2021/22	2022/23
	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	168,088	172,056	187,846	195,962	209,085	209,085	220,961	-	220,961	227,705	230,634	234,313
Benefits or Related Expenses	-	-	-	-	-	-	N/A	-	-	-	-	-
Borrowing Expenses	-	-	-	-	-	-	-	-	-	-	-	-
Other Expenses	6,916	2,683	4,575	2,445	8,085	8,085	-	8,085	8,085	8,085	8,085	8,085
Capital Expenditure	17,305	18,874	5,154	15,720	31,871	31,871	12,655	-	12,655	12,655	12,655	12,655
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	-	-	-	-	-
Total Appropriations	192,309	193,613	197,575	214,127	249,041	249,041	233,616	8,085	241,701	248,445	251,374	255,053
Crown Revenue and Capital Receipts												
Tax Revenue	12,485,685	13,179,829	13,269,756	14,379,202	15,395,000	15,395,000	N/A	16,001,000	16,001,000	16,508,000	16,804,000	17,199,000
Non-Tax Revenue	-	-	-	-	-	-	N/A	642	642	642	642	642
Capital Receipts	-	-	-	-	-	-	N/A	-	-	-	-	-
Total Crown Revenue and Capital Receipts	12,485,685	13,179,829	13,269,756	14,379,202	15,395,000	15,395,000	N/A	16,001,642	16,001,642	16,508,642	16,804,642	17,199,642

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 years 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 2014/15 and the Estimated Actual for 2018/19), the net funding for Vote Customs has increased by \$40.997 million. The net change in the total appropriation primarily relates to additional operational funding for:

- managing our border through the implementation and ongoing operation of next-generation SmartGate automated passenger processing technology (funding of over \$1.400 million in 2015/16, over \$4.400 million in 2016/17, nearly \$5 million in 2017/18, and nearly \$4.400 million in outyears) and the extended risk screening of departing passengers (funding of nearly \$700,000 in 2015/16 and over \$1.300 million in outyears)
- Building Export Markets: Growing Secure Exports - funding of over \$1.600 million in 2015/16 and over \$1.500 million in outyears
- Modernising and Transforming the New Zealand Customs Service Workforce - funding of nearly \$800,000 in 2015/16 and over \$4.700 million in outyears, and
- Improving the Efficiency and Effectiveness of the Border Sector (a suite of initiatives in the Business Growth Agenda Export Markets work stream) - funding of over \$9.500 million in 2016/17, over \$8.700 million in 2017/18, and nearly \$5.700 million in outyears.

The increase also reflects the continued volume growth in the number of passengers and volumes of importation of goods and the associated increase in funding.

Annual appropriations for the purchase of departmental outputs is a total of \$220.961 million for 2019/20, an increase of \$11.876 million above the 2018/19 appropriation. The net change in the total appropriation primarily relates to:

- an increase of \$7.332 million from the funding provided in 2018/19 for the Drug Smuggling Networks: Strategic Disruption budget initiative
- an increase of \$2.921 million for the cost of providing services relating to passengers and crew crossing the border and clearance of goods to meet the forecast increases in volumes
- an increase of \$1.247 million for the Combating the Sexual Exploitation of Children Across our Cyber Border budget initiative, and
- the transfer in funding of \$0.850 million from 2018/19 for the Exports: Reducing Overseas Customs Delays for New Zealand Exporters budget initiative.

Departmental output expenses are currently expected to increase to \$234.312 million by 2022/23. The increase mainly reflects the continued volume growth in the number of passengers, the increased volumes of importation of goods (and the associated increases in funding), and the additional funding in Budget 2018 for the Drug Smuggling Networks: Strategic Disruption and Budget 2019 for the Combating the Sexual Exploitation of Children Across our Cyber Border initiatives.

Departmental Capital Expenditure

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

The total forecast capital expenditure for 2019/20 is \$12.655 million, a decrease of over \$19 million from the estimated 2018/19 spend of \$31.871 million. The decrease in this appropriation is due to the approval in 2018/19 of a number of large capital projects to support operational requirements.

Non-Departmental Other Expenses

Almost all of the expense in this category is the amount provisioned for doubtful debts for the Crown Revenue managed by Customs.

The trend over the past five years reflects the assessment of the provision and write-off of debts based on the profile of the aged debtors. The increase in the actual in 2014/15 reflected some additional provisioning of doubtful debts relating to a small number of large clients.

The estimated/budgeted non-departmental other expenses remain steady for 2019/20 and the forecast outyears.

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, and excise equivalent duty on the same products imported into New Zealand. The GST on imports is the major revenue source.

The total Tax Revenue collected by the New Zealand Customs Service has increased each year over the last five years, and the Treasury forecasts the amount collected by the New Zealand Customs Service to continue to steadily increase each financial year to 2022/23.

Part 2 - Details of Departmental Appropriations

2.1 - Departmental Output Expenses

Clearance and Enforcement Services Related to Craft (M21)

Scope of Appropriation

This appropriation is limited to the provision of services relating to craft arriving in and departing from New Zealand, including clearance of craft, and protection of New Zealand's interests through interventions, investigations and enforcement.

Expenses and Revenue

	2018/19		2019/20
	Final Budgeted \$000	Estimated Actual \$000	Budget \$000
Total Appropriation	8,979	8,979	9,985
Revenue from the Crown	8,870	8,870	9,895
Revenue from Others	109	109	90

What is Intended to be Achieved with this Appropriation

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

How Performance will be Assessed and End of Year Reporting Requirements

	2018/19		2019/20
	Final Budgeted Standard	Estimated Actual	Budget Standard
Assessment of Performance			
Percentage of small marine craft arriving (estimated 600-700 small craft) whose master of vessel reported to a customs officer upon first arrival in a New Zealand port	New measure	100%	100%
Percentage of arriving commercial marine craft (including cruise ships) showing high risk or requiring administrative process (estimated 400-500 commercial craft) that are boarded 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)	5%	8%	5%

Note 1 - Boarding will be required for 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. This output maintains high levels of compliance, and acts as a check on risk assessments.

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	2018/19 Final Budgeted \$000	2019/20 Budget \$000	2020/21 Estimated \$000	2021/22 Estimated \$000	2022/23 Estimated \$000
Current Government						
Drug Smuggling Networks: Strategic Disruption	2018/19	722	1,223	1,750	1,705	1,705
Previous Government						
Improving the Efficiency and Effectiveness of the Border Sector	2016/17	371	371	371	371	371
Modernising and Transforming Customs' Workforce	2015/16	841	841	841	841	841
Managing our Border: Screening Departing Passengers	2015/16	268	268	268	268	268
Building Export Markets: Growing Secure Exports to China and ASEAN	2015/16	28	28	28	28	28
Share of Costs for Budget 2015 Whole-of-Government Initiatives	2015/16	(5)	(5)	(5)	(5)	(5)

Reasons for Change in Appropriation

The increase in this appropriation for 2019/20 is due to:

- an increase in funding and transfer from 2018/19 totalling \$987,000 for the Drug Smuggling Networks: Strategic Disruption budget initiative, and
- an increase of \$56,000 from the 2013/14 four year plan identified efficiencies.

This is partially offset by a decrease of \$196,000 due to the completion of the Proceeds of Crime initiative and the completion of other minor initiatives.

Clearance and Enforcement Services Related to Goods (M21)

Scope of Appropriation

This appropriation is limited to the provision of services relating to goods crossing the border, including clearance of goods, assessment and audit of revenue, trade compliance and supply chain security assurance, and protection of New Zealand's interests through interventions, audits, investigations and enforcement.

Expenses and Revenue

	2018/19		2019/20
	Final Budgeted \$000	Estimated Actual \$000	Budget \$000
Total Appropriation	89,979	89,979	90,981
Revenue from the Crown	21,305	21,305	21,893
Revenue from Others	68,674	68,674	69,088

What is Intended to be Achieved with this Appropriation

This appropriation is intended to achieve secure and efficient border processes, including for the assessment and collection of due Crown revenue, 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

Assessment of Performance	2018/19		2019/20
	Final Budgeted Standard	Estimated Actual	Budget Standard
Trade			
Minimum percentage of importers and exporters satisfied or very satisfied with the overall quality of Customs' service delivery (as measured by Customs' stakeholder survey)	85%	80.0%	85%
Minimum percentage of importers and exporters that find it easy to comply with border agencies' requirements when lodging electronic documents or making payments (as measured by Customs' stakeholder survey)	85%	70.0%	85%
Minimum percentage of trade transactions (other than those referred for compliance checks) processed (including assessment against business rules and intelligence alerts) within 30 minutes (of an estimated between 10.5-11.5 million import transactions, 4.5-5.5 million export transactions, and 5,500-6,500 excise returns)	95%	99.8%	95%
Minimum percentage of import transactions that are deemed compliant based on risk assessment and proceed without further intervention (see Note 1)	95%	98.5%	95%
Minimum percentage of export transactions that are deemed compliant based on risk assessment and proceed without further intervention (see Note 1)	99%	99.8%	99%
Minimum percentage of a random sample of import entries that are found to be compliant through the transactional verification process	90%	91.5%	90%
Protection (see Note 2)			
Minimum value of harm (NZ\$) avoided through Customs' drug seizures, as measured by indicative data from the New Zealand Drug Harm Index	\$500 million	\$1,000 million	\$500 million
Minimum losses (NZ\$) incurred by importers of illegal goods through seizure of illicit drugs and proceeds of crime	\$250 million	\$400 million	\$250 million
Percentage of investigation cases (estimated between 100-300 cases) finalised within 12 months of commencement	70%-85%	75.0%	70%-85%
Minimum percentage of serious investigation cases (see Note 3) that lead to punitive action (see Note 4)	90%	95.0%	90%

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

Note 2 - The following output classes also contribute to the Protection outcome: Clearance and enforcement services related to passenger and crew; Clearance and enforcement services related to craft; Information and intelligence services; Policy advice; and International services and ministerial servicing. Most protection activity involves illicit goods.

Note 3 - A serious investigation case involves, or has the potential to involve, serious community harm. Examples of serious investigation cases would include those involving more than \$250,000 drug harm (as calculated using the New Zealand Drug Harm Index), Class A or B drugs for supply, objectionable material involving child exploitation, or the importation of counterfeit medicines.

Note 4 - Punitive actions are actions resulting from a closed or completed serious investigation case where an offence has been committed and an offender has been identified, and where the result includes, but is not limited to: offender being placed before the Courts by Customs or New Zealand Police; seizure of goods; a formal warning to the offender; issue of an infringement notice under section 400 of the Customs and Excise Act 2018; or an administrative penalty.

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	2018/19 Final Budgeted \$000	2019/20 Budget \$000	2020/21 Estimated \$000	2021/22 Estimated \$000	2022/23 Estimated \$000
Current Government						
Reprioritisation of Funding - Finding Savings through the Cost Recovery Review	2019/20	-	(512)	(765)	(766)	(766)
Drug Smuggling Networks: Strategic Disruption	2018/19	2,601	5,682	7,715	7,302	7,302
Exports: Reducing Overseas Customs Delays for New Zealand Exporters	2018/19	850	-	-	-	-
Previous Government						
Improving the Efficiency and Effectiveness of the Border Sector	2016/17	2,902	2,902	2,902	2,902	2,902
Building Export Markets: Growing Secure Exports to China and ASEAN	2015/16	564	564	564	564	564
Managing our Border: Screening Departing Passengers	2015/16	355	355	355	355	355
Share of Costs for Budget 2015 Whole-of-Government Initiatives	2015/16	(33)	(33)	(33)	(33)	(33)

Reasons for Change in Appropriation

The increase in this appropriation for 2019/20 is due to:

- an increase in funding and transfer from 2018/19 of \$2.054 million for the Drug Smuggling Networks: Strategic Disruption budget initiative, and
- an increase of \$1.500 million to meet volume increases.

This is partially offset by a decrease of:

- \$898,000 relating to the completion of several initiatives
- \$512,000 relating to the Reprioritisation of Funding - finding savings through the Cost Recovery Review

- \$278,000 due to the completion of the Proceeds of Crime initiative, and
- \$257,000 transfer to Ministry of Primary Industries.

Clearance and Enforcement Services Related to Passengers and Crew (M21)

Scope of Appropriation

This appropriation is limited to the provision of services relating to passengers and crew crossing the border, including collecting information, clearance of people and their possessions, and protection of New Zealand's interests through interventions, investigations and enforcement.

Expenses and Revenue

	2018/19		2019/20
	Final Budgeted \$000	Estimated Actual \$000	Budget \$000
Total Appropriation	71,982	71,982	78,327
Revenue from the Crown	634	634	747
Revenue from Others	69,235	69,235	71,733

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

	2018/19		2019/20
	Final Budgeted Standard	Estimated Actual	Budget Standard
Assessment of Performance			
Minimum percentage of arriving international air passengers satisfied or very satisfied that Customs processes passengers quickly and conveniently (as measured by Customs' stakeholder survey)	85%	80.0%	85%
Minimum percentage of arriving international air passengers and crew (estimated 7.3-7.8 million passengers and crew) who are deemed compliant based on risk assessment and facilitated without further intervention (see Note 1)	98%	99.5%	98%
Minimum percentage of arriving international air passengers who exit Customs primary processing points within 45 minutes of arrival	90%	96.4%	90%
Percentage of arriving international air passengers and crew who are selected for further risk assessment at Customs' secondary areas	0.6%-1%	0.5%	0.6%-1%
Percentage of arriving international air passengers and crew who are selected for further risk assessment who were subsequently subject to a full or partial baggage examination	45%-55%	58.8%	50%-60%

Note 1 - '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.

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	2018/19 Final Budgeted \$000	2019/20 Budget \$000	2020/21 Estimated \$000	2021/22 Estimated \$000	2022/23 Estimated \$000
Current Government						
Drug Smuggling Networks: Strategic Disruption	2018/19	1,770	4,395	5,406	5,519	5,519
Previous Government						
Improving the Efficiency and Effectiveness of the Border Sector	2016/17	1,111	1,111	1,111	1,111	1,111
Managing our Border: Expanding SmartGate	2015/16	4,386	4,386	4,386	4,386	4,386
Managing our Border: Screening Departing Passengers	2015/16	334	334	334	334	334
Building Export Markets: Growing Secure Exports to China and ASEAN	2015/16	32	32	32	32	32
Share of Costs for Budget 2015 Whole-of-Government Initiatives	2015/16	(44)	(44)	(44)	(44)	(44)

Reasons for Change in Appropriation

The increase in this appropriation for 2019/20 is mainly due to:

- an increase of \$3.158 million to meet volume increases, and
- an increase in funding and transfer from 2018/19 of \$2.521 million for the Drug Smuggling Networks: Strategic Disruption budget initiative.

This is partially offset by a decrease of:

- \$260,000 due to the completion of the Proceeds of Crime initiative
- \$92,000 due to the completion of the implementation of the Customs and Excise Act initiative, and
- \$66,000 due to the completion of the implementation of the Assurance initiative and the completion of other minor initiatives.

	2018/19		2019/20
	Budgeted \$000	Estimated Actual \$000	Budget \$000
Border Clearance Levy Memorandum Account			
Opening Balance at 1 July	17,353	17,353	14,040
Revenue	69,869	68,669	70,430
Expenses	(71,982)	(71,982)	(76,317)
Transfers and Adjustments			
Closing Balance at 30 June	15,240	14,040	8,153

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. The Border Clearance Levy memorandum account records both the revenues from, and costs of providing, the border clearance services relating to travellers arriving in and departing 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). The Border Clearance Levy rates payable to Customs by travellers were re-set 1 July 2018 at a level that was designed to bring the accumulated surplus to zero over the three year levy period.

Information and Intelligence Services (M21)

Scope of Appropriation

This appropriation is limited to the provision of information, intelligence and risk assessment services to external clients, and the operation of the National Maritime Coordination Centre.

Expenses and Revenue

	2018/19		2019/20
	Final Budgeted \$000	Estimated Actual \$000	Budget \$000
Total Appropriation	13,231	13,231	15,652
Revenue from the Crown	12,379	12,379	14,900
Revenue from Others	852	852	752

What is Intended to be Achieved with this Appropriation

This appropriation is intended to achieve reduced risks to New Zealand's interests arising from international trade and travel, to improve the wellbeing of New Zealanders.

How Performance will be Assessed and End of Year Reporting Requirements

	2018/19		2019/20
	Final Budgeted Standard	Estimated Actual	Budget Standard
Assessment of Performance			
Percentage of external alerts processed in accordance with alert instructions	New measure	99.3%	100%
Minimum percentage of requesting agencies and assets providers satisfied with National Maritime Coordination Centre's coordination of tasking	80%	80%	80%
Minimum percentage of agency requests accepted by the National Maritime Coordination Centre that are successfully completed (see Note 1)	80%	82.0%	80%

Note 1 - Requests are accepted if they are within the capability of the fleet resources. Acceptance is not determined by the availability of fleet resources.

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	2018/19 Final Budgeted \$000	2019/20 Budget \$000	2020/21 Estimated \$000	2021/22 Estimated \$000	2022/23 Estimated \$000
Current Government						
Combating the Sexual Exploitation of Children Across our Cyber Border	2019/20		1,247	2,028	2,160	2,179
Drug Smuggling Networks: Strategic Disruption	2018/19	700	1,578	1,999	1,936	1,936
Previous Government						
Improving the Efficiency and Effectiveness of the Border Sector	2016/17	6	6	6	6	6
Modernising and Transforming Customs' Workforce	2015/16	863	863	863	863	863
Managing our Border: Screening Departing Passengers	2015/16	268	268	268	268	268
Building Export Markets: Growing Secure Exports to China and ASEAN	2015/16	26	26	26	26	26
Share of Costs for Budget 2015 Whole-of-Government Initiatives	2015/16	(5)	(5)	(5)	(5)	(5)

Reasons for Change in Appropriation

The increase in this appropriation for 2019/20 is mainly due to:

- An increase of \$1.247 million for the enhancement of services to Combat Child Sexual Exploitation Across our Cyber Border initiative, and
- an increase in funding and transfer from 2018/19 of \$998,000 for the Drug Smuggling Networks: Strategic Disruption budget initiative.

This is partially offset by a decrease of:

- \$351,000 due to the completion of the Proceeds of Crime initiative and the completion of other minor initiatives.

International Services and Ministerial Servicing (M21)

Scope of Appropriation

This appropriation is limited to the provision of international services, obligations, and assistance, and the provision of services to Ministers to enable them to discharge their portfolio (other than policy decision-making) responsibilities.

Expenses and Revenue

	2018/19		2019/20
	Final Budgeted \$000	Estimated Actual \$000	Budget \$000
Total Appropriation	10,692	10,692	10,259
Revenue from the Crown	8,701	8,701	8,268
Revenue from Others	1,991	1,991	1,991

What is Intended to be Achieved with this Appropriation

This appropriation is intended to achieve the provision of international policy advice and services to ensure New Zealand's interests are effectively represented in international customs policy and the maintenance and development of relationships, and the provision of services and support to the Minister.

How Performance will be Assessed and End of Year Reporting Requirements

	2018/19		2019/20
	Final Budgeted Standard	Estimated Actual	Budget Standard
Assessment of Performance			
Minister's satisfaction with advice and support in relation to international services and ministerial servicing	Meets expectations	Meets expectations	Meets expectations
Minimum percentage of draft replies to ministerial correspondence (estimated between 40-70 items) that are provided within 20 working days or as agreed with the Minister (see Note 1)	90%	91%	90%
Percentage of draft responses to parliamentary questions (estimated between 50-80 items) that are provided to the Minister's office so that answers can meet the timeframe set in Parliamentary Standing Orders	100%	100%	100%

Note 1 - 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	2018/19 Final Budgeted \$000	2019/20 Budget \$000	2020/21 Estimated \$000	2021/22 Estimated \$000	2022/23 Estimated \$000
Current Government						
Drug Smuggling Networks: Strategic Disruption	2018/19	169	200	234	239	239
Previous Government						
Improving the Efficiency and Effectiveness of the Border Sector	2016/17	5	5	5	5	5
Modernising and Transforming Customs' Workforce	2015/16	1,250	1,250	1,250	1,250	1,250
Building Export Markets: Growing Secure Exports to China and ASEAN	2015/16	796	796	796	796	796
Managing our Border: Screening Departing Passengers	2015/16	67	67	67	67	67
Share of Costs for Budget 2015 Whole-of-Government Initiatives	2015/16	(6)	(6)	(6)	(6)	(6)

Reasons for Change in Appropriation

The decrease in this appropriation for 2019/20 is mainly due to:

- a decrease of \$747,000 due to the change in the profile of the Pacific Programme and the completion of other minor initiatives.

This is partially offset by an increase of:

- additional funding and transfer from 2018/19 of \$231,000 for the Drug Smuggling Networks: Strategic Disruption budget initiative, and
- funding transferred from 2018/19 of \$150,000 to complete the Proceeds of Crime Programme.

Policy Advice (M21)*Scope of Appropriation*

This appropriation is limited to the provision of advice (including second opinion advice and contributions to policy advice led by other agencies) to support decision-making by Ministers on government policy matters.

Expenses and Revenue

	2018/19		2019/20
	Final Budgeted \$000	Estimated Actual \$000	Budget \$000
Total Appropriation	3,902	3,902	5,384
Revenue from the Crown	3,867	3,867	5,357
Revenue from Others	35	35	27

What is Intended to be Achieved with this Appropriation

This appropriation is intended to achieve timely policy advice that contributes to secure and efficient border processes and the collection of due Crown revenue.

How Performance will be Assessed and End of Year Reporting Requirements

	2018/19		2019/20
	Final Budgeted Standard	Estimated Actual	Budget Standard
Assessment of Performance			
Assessment of the quality of a sample of the agency's policy advice papers	75%	75%	See Note 1
Satisfaction of the portfolio Minister with the policy advice service	75%	80%	See Note 2
Maximum total cost (NZ\$) of professional staff per hour of producing outputs	\$120	\$105	\$120

Note 1 - The Standard will be identified based on the refreshed Policy Quality Framework and updated in the Supplementary Estimates. All agencies are required to use the refreshed Policy Quality Framework from 2019/20 to assess the quality of their policy advice papers. The Policy Quality Framework is currently being refreshed. The refreshed Framework will be released before 30 June 2019.

Note 2 - The Standard will be identified based on the revised Ministerial Satisfaction Survey and updated in the Supplementary Estimates. All agencies are required to use the refined Ministerial Satisfaction Survey from 2019/20 to assess ministerial satisfaction with the policy service. The survey is currently under review and the refined survey and guidance will be released before 30 June 2019.

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	2018/19 Final Budgeted \$000	2019/20 Budget \$000	2020/21 Estimated \$000	2021/22 Estimated \$000	2022/23 Estimated \$000
Current Government						
Drug Smuggling Networks: Strategic Disruption	2018/19	57	158	180	184	184
Previous Government						
Improving the Efficiency and Effectiveness of the Border Sector	2016/17	3	3	3	3	3
Building Export Markets: Growing Secure Exports to China and ASEAN	2015/16	7	7	7	7	7
Managing our Border: Screening Departing Passengers	2015/16	67	67	67	67	67
Share of Costs for Budget 2015 Whole-of-Government Initiatives	2015/16	(2)	(2)	(2)	(2)	(2)
Modernising and Transforming Customs' Workforce	2015/16	808	808	808	808	808

Reasons for Change in Appropriation

The increase in this appropriation for 2019/20 is mainly due to additional funding for the Drug Smuggling Networks: Strategic Disruption budget initiative.

Revenue Collection (M21)

Scope of Appropriation

This appropriation is limited to the provision of services relating to receipt and processing of revenues owing to the Crown and other agencies, revenue assurance, credit and debt management.

Expenses and Revenue

	2018/19		2019/20
	Final Budgeted \$000	Estimated Actual \$000	Budget \$000
Total Appropriation	10,320	10,320	10,373
Revenue from the Crown	9,682	9,682	9,646
Revenue from Others	638	638	727

What is Intended to be Achieved with this Appropriation

This appropriation is intended to achieve the collection of due Crown revenue for New Zealand, to improve the wellbeing of New Zealanders.

How Performance will be Assessed and End of Year Reporting Requirements

	2018/19		2019/20
	Final Budgeted Standard	Estimated Actual	Budget Standard
Assessment of Performance			
Minimum percentage of revenue that is collected electronically	95%	99.2%	95%
Minimum percentage of revenue that is collected by the due date	98%	99.3%	98%
Debt write-offs as a maximum percentage of total Crown revenue collected	0.06%	0.01%	0.06%
Minimum additional revenue (NZ\$) owed that is identified through the trade compliance programme	\$15 million	\$37 million	\$15 million

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	2018/19 Final Budgeted \$000	2019/20 Budget \$000	2020/21 Estimated \$000	2021/22 Estimated \$000	2022/23 Estimated \$000
Current Government						
Drug Smuggling Networks: Strategic Disruption	2018/19	166	281	415	427	427
Previous Government						
Improving the Efficiency and Effectiveness of the Border Sector	2016/17	1,283	1,283	1,283	1,283	1,283
Building Export Markets: Growing Secure Exports to China and ASEAN	2015/16	996	996	996	996	996
Managing our Border: Screening Departing Passengers	2015/16	78	78	78	78	78
Share of Costs for Budget 2015 Whole-of-Government Initiatives	2015/16	(6)	(6)	(6)	(6)	(6)

2.3 - Departmental Capital Expenditure and Capital Injections

New Zealand Customs Service - Capital Expenditure PLA (M21)

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

	2018/19		2019/20
	Final Budgeted \$000	Estimated Actual \$000	Budget \$000
Forests/Agricultural	-	-	-
Land	-	-	-
Property, Plant and Equipment	12,095	12,095	9,056
Intangibles	19,776	19,776	3,599
Other	-	-	-
Total Appropriation	31,871	31,871	12,655

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

	2018/19		2019/20
	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 the capital expenditure appropriation relates to a number of significant projects programmed to be completed in the 2018/19 year.

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

Details of Net Asset Schedule	2018/19 Estimated Actual \$000	2019/20 Projected \$000	Explanation of Projected Movements in 2019/20
Opening Balance	166,786	164,767	
Capital Injections	2,742	2,603	An increase in funding for Combating the Sexual Exploitation of Children Across our Cyber Border.
Capital Withdrawals	(2,648)	-	
Surplus to be Retained (Deficit Incurred)	(2,113)	(5,847)	Deficit for Border Clearance Levy Memorandum Account.
Other Movements	-	-	
Closing Balance	164,767	161,523	

Part 3 - Details of Non-Departmental Appropriations

3.4 - Non-Departmental Other Expenses

Change in Doubtful Debt Provision (M21)

Scope of Appropriation

Provisioning of Doubtful Debts on Customs Crown Revenue.
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Expenses

	2018/19		2019/20
	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 to provide 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

	2018/19		2019/20
	Final Budgeted Standard	Estimated Actual	Budget Standard
Assessment of Performance			
Debt write-offs as a maximum percentage of total Crown revenue collected	0.06%	0.01%	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.

Provision of ACC-equivalent cover for New Zealand employees working overseas PLA (M21)

Scope of Appropriation

This appropriation is limited to payments authorised by section 65ZG of the Public Finance Act 1989 under the indemnity given by the Minister of Finance under section 65ZD of that Act for the provision of ACC-equivalent cover New Zealand employees working overseas as specified in the indemnity.

Expenses

	2018/19		2019/20
	Final Budgeted \$000	Estimated Actual \$000	Budget \$000
Total Appropriation	5	5	5

What is Intended to be Achieved with this Appropriation

This appropriation is intended to provide ACC-equivalent cover for New Zealand employees of the New Zealand Customs Service working overseas.

How Performance will be Assessed and End of Year Reporting Requirements

An exemption was granted under section 15D(2)(b)(ii) of the Public Finance Act 1989 as any performance information is not likely to be informative.

World Customs Organization (M21)

Scope of Appropriation

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

Expenses

	2018/19		2019/20
	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

	2018/19		2019/20
	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.