

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 \$16,799 billion in the 2020/21 financial year.

The Minister of Customs is also responsible for the departmental appropriations in the Vote for the 2020/21 financial year covering the following:

- a total of over \$103 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 over \$84 million for services relating to travellers crossing borders and the protection of New Zealand through interventions, investigations and enforcement,
- a total of 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, and
- a total of over \$27 million for capital investment in departmental assets.

The Minister of Customs is also responsible for a capital injection of \$786,000 to the New Zealand Customs Service.

The Minister of Customs is also responsible for the non-departmental appropriations in the Vote for the 2020/21 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.

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	2019/20		2020/21
	Final Budgeted \$000	Estimated Actual \$000	Budget \$000
Departmental Output Expenses			
Goods Clearance and Enforcement (M21) 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.	91,536	91,536	103,401
Revenue Collection and Other Services (M21) 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.	-	-	39,495
Travellers Clearance and Enforcement (M21) 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.	-	-	84,179
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.	9,954	9,954	-
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.	80,539	80,539	-
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.	14,087	14,087	-
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.	11,283	11,283	-
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.	3,785	3,785	-
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.	10,733	10,733	-
Total Departmental Output Expenses	221,917	221,917	227,075
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.	32,001	32,001	27,203
Total Departmental Capital Expenditure	32,001	32,001	27,203

Titles and Scopes of Appropriations by Appropriation Type	2019/20		2020/21
	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
World Customs Organization (M21) New Zealand's contribution to the operating budget of the WCO.	80	80	80
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	-
Total Non-Departmental Other Expenses	8,085	8,085	8,080
Total Annual Appropriations and Forecast Permanent Appropriations	262,003	262,003	262,358

Capital Injection Authorisations

	2019/20		2020/21
	Final Budgeted \$000	Estimated Actual \$000	Budget \$000
New Zealand Customs Service - Capital Injection (M21)	5,345	5,345	786

Supporting Information

Part 1 - Vote as a Whole

This part provides trend information for the vote.

1.2 - Trends in the Vote

Summary of Financial Activity

	2015/16	2016/17	2017/18	2018/19	2019/20		2020/21			2021/22	2022/23	2023/24
	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	172,056	187,846	195,962	204,695	221,917	221,917	227,075	-	227,075	228,290	231,431	229,706
Benefits or Related Expenses	-	-	-	-	-	-	N/A	-	-	-	-	-
Borrowing Expenses	-	-	-	-	-	-	-	-	-	-	-	-
Other Expenses	2,683	4,575	2,445	-	8,085	8,085	-	8,080	8,080	8,080	8,080	8,080
Capital Expenditure	18,874	5,154	15,720	18,988	32,001	32,001	27,203	-	27,203	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	-	-	-	-	-
Total Appropriations	193,613	197,575	214,127	223,683	262,003	262,003	254,278	8,080	262,358	257,424	260,565	258,840
Crown Revenue and Capital Receipts												
Tax Revenue	13,179,829	13,269,756	14,379,202	15,543,142	16,001,000	16,001,000	N/A	15,921,000	15,921,000	17,136,000	17,938,000	18,431,000
Non-Tax Revenue	-	-	-	-	642	642	N/A	9,242	9,242	9,642	10,142	10,642
Capital Receipts	-	-	-	-	-	-	N/A	-	-	-	-	-
Total Crown Revenue and Capital Receipts	13,179,829	13,269,756	14,379,202	15,543,142	16,001,642	16,001,642	N/A	15,930,242	15,930,242	17,145,642	17,948,142	18,441,642

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 year's 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 2015/16 of \$172.056 million and the Estimated Actual for 2019/20 of \$221.917 million), the net funding for Vote Customs has increased by \$49.861 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 \$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 over \$1.300 million from 2016/17 and outyears)
- Modernising and Transforming the New Zealand Customs Service Workforce - funding of over \$4.700 million from 2016/17 and outyears
- 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.
- Drug Smuggling Networks: Strategic Disruption initiative - funding of \$6.185 million in 2018/19 and \$7.332 million in 2019/20
- Combating the Sexual Exploitation of Children Across our Cyber Border initiative - funding of \$1.247 million in 2019/20, and
- 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 \$227.075 million for 2020/21, an increase of \$5.158 million above the 2019/20 appropriation. The net change in the total appropriations primarily relates to:

- an increase of \$3.642 million for the Strategic Disruption of Drug Networks initiative
- an increase of \$781,000 for the Combating Exploitation of Children Across our Cyber Border initiative, and
- transfers in funding of \$1.289 million from 2019/20 for various initiatives.

Departmental output expenses are currently expected to increase to \$229.706 million by 2023/24. 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).

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 2020/21 is \$27.203 million, a decrease of nearly \$4.798 million from the estimated 2019/20 spend of \$32.001 million. The decrease in this appropriation is due to the completion 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 estimated/budgeted non-departmental other expenses remain steady for 2020/21 and the forecast out years.

There is no longer a need for the Appropriation for ACC Equivalent Cover with recent changes to ACC Legislation.

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 increase to \$18,374 million by 2023/24.

1.4 - Reconciliation of Changes in Appropriation Structure

2019/20 Appropriations in the 2019/20 Structure	2019/20 (Current) \$000	Old Structure		New Structure		
		Appropriations to which Expenses (or Capital Expenditure) have been Moved from or to	Amount Moved \$000	2019/20 Appropriations in the 2020/21 Structure	2019/20 (Restated) \$000	2020/21 \$000
Departmental Output Expenses				Departmental Output Expenses		
Clearance and enforcement services related to craft	9,954	Transferred to Travellers Clearance and Enforcement	(9,954)			
Clearance and enforcement services related to goods	91,536	Rename	-	Goods Clearance and Enforcement	91,536	103,401
Clearance and enforcement services related to passengers and crew	80,539	Transferred to Travellers Clearance and Enforcement	(80,539)			
		Transferred from Clearance and enforcement services related to craft	9,954			
		Transferred from Clearance and enforcement services related to passengers and crew	80,539	Travellers Clearance and Enforcement	90,493	84,179
Information and Intelligence Services	14,087	Transferred to Revenue Collection and Other Services	(14,087)			
Revenue Collection	10,733	Transferred to Revenue Collection and Other Services	(10,733)			
International Services and Ministerial Servicing	11,283	Transferred to Revenue Collection and Other Services	(11,283)			
Policy Advice	3,785	Transferred to Revenue Collection and Other Services	(3,785)			
		Transferred from Information and Intelligence Services	14,087			
		Transferred from Revenue Collection	10,733			
		Transferred from International Services and Ministerial Servicing	11,283			
		Transferred from Policy Advice	3,785	Revenue Collection and Other Services	39,888	39,495
Total changes in Appropriations	221,917		-		221,917	227,075

In April 2019, Cabinet agreed a work programme to modernise the public finance system by simplifying and restructuring appropriations. The intent is to provide more strategic oversight of the value of public spending and whether it is helping to achieve the Government's objectives and priorities. Customs has adopted this change for 2020/21. The proposed structure will support a meaningful and simplified basis for reporting on performance that is connected with our strategic intentions.

Customs has implemented an Activity Based Costing methodology to analyse and better understand resource utilisation at an activity level and the allocation of costs to the services it provides. This has been used as the basis for the appropriations for 2020/21 onwards, but as the data for previous years was not collected, the model cannot be used to provide an equivalent split for prior years. The reconciliation of the changes in the Appropriation structure therefore is less precise.

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

Goods Clearance and Enforcement (M21)

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

	2019/20		2020/21
	Final Budgeted \$000	Estimated Actual \$000	Budget \$000
Total Appropriation	91,536	91,536	103,401
Revenue from the Crown	32,863	32,863	54,509
Revenue from Others	58,673	58,673	48,892

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

	2019/20		2020/21
	Final Budgeted Standard	Estimated Actual	Budget Standard
Assessment of Performance			
Clearance			
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 12.5-13.5 million import transactions, 5.0-6.0 million export transactions, and 6,000-7,000 excise returns)	95%	99.0%	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%	99.5%	99%
Minimum percentage of a random sample of import entries that are found to be accurate through the transactional verification process	Amended measure	90.0%	90%
Minimum number of random interventions of import trade conducted (under Customs' Assurance programme) (see Note 2)	New measure	7,000	6,000

Assessment of Performance	2019/20		2020/21
	Final Budgeted Standard	Estimated Actual	Budget Standard
Minimum percentage of commercial customers satisfied or very satisfied with the overall quality of Customs' service delivery (as measured by Customs' stakeholder survey)	Amended measure	75.0%	85%
Minimum percentage of commercial customers that find it easy to comply with Customs' requirements when lodging online documents or making payments (as measured by Customs' stakeholder survey)	Amended measure	70.0%	85%
Enforcement (see Note 3)			
Minimum value of harm (NZ\$, as measured by the New Zealand Drug Harm Index) avoided through drug seizures, at or before the border, or as a result of seizures by Customs post-border	Amended measure	\$2,000 million	\$1,000 million
Minimum losses (NZ\$) incurred by importers of illegal goods through seizure of illicit drugs, assets, and proceeds of crime (see Note 4)	Amended measure	\$750 million	\$400 million
Minimum percentage of high priority investigations (see Note 5) where prosecution is initiated (see Note 6)	New measure	75.0%	70%

Note 1 - 'Intervention' means action by the New Zealand Customs Service 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 6,000 interventions is the minimum sample required for the assurance model to provide a valid representation of the population. These interventions include random sampling of mail and air cargo (import entries and ECI consignments). The New Zealand Customs Service was trialling sampling of air cargo in 2019/20 so, depending on the outcome of the trial, these will be included in the interventions in 2020/21.

Note 3 - The following output classes also contribute to the Enforcement outcome: Travellers Clearance and Enforcement, and Revenue Collection and Other Services. Most protection and enforcement activity involves illicit goods.

Note 4 - 'Losses' are calculated as the total monetary value of illicit drug seizures (based on street value), assets restraints, and cash seizures.

Note 5 - A high priority investigation involves, or has the potential to involve, serious community harm. Examples of high priority investigations 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 6 - 'Prosecution initiated' refers to a closed high priority investigation where an offence has been committed, and an offender has been identified and placed before the Courts by the New Zealand Customs Service or New Zealand Police.

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	2019/20 Final Budgeted \$000	2020/21 Budget \$000	2021/22 Estimated \$000	2022/23 Estimated \$000	2023/24 Estimated \$000
Current Government						
Reprioritisation of Funding - Finding Savings through the Cost Recovery Review	2019/20	(512)	(765)	(766)	(766)	(766)
Drug Smuggling Networks: Strategic Disruption	2018/19	5,682	7,715	7,302	7,302	7,302
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 of \$11.865 million in this appropriation for 2020/21 is mainly due to:

- a more accurate allocation of costs based on the Activity Based Costing methodology and the consolidation of seven departmental output expense appropriations to three appropriations, refer to schedule 1.4
- an increase in funding of \$2.033 million for Drug Smuggling Networks: Strategic Disruption initiative
- the transfer in funding of \$360,000 from 2019/20 for the Secure Trade Lane initiative
- the transfer in funding of \$346,000 from 2019/20 for the Drug Smuggling Networks: Strategic Disruption of Drug Networks and
- an increase of \$150,000 for Enhance Border Detection Capability to Detect Novel Masked Illicit Drugs project funded from the Proceeds of Crime.

Revenue Collection and Other Services (M21)*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

	2019/20		2020/21
	Final Budgeted \$000	Estimated Actual \$000	Budget \$000
Total Appropriation	-	-	39,495
Revenue from the Crown	-	-	30,043
Revenue from Others	-	-	9,452

Comparators for Restructured Appropriation

Vote, Type and Title of Appropriation	2019/20		2020/21
	Final Budgeted \$000	Estimated Actual \$000	Budget \$000
Information and Intelligence Services	14,087	14,087	-
Revenue Collection	10,733	10,733	-
International Services and Ministerial Servicing	11,283	11,283	-
Policy Advice	3,785	3,785	-
Total	39,888	39,888	39,495

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	2019/20		2020/21
	Final Budgeted Standard	Estimated Actual	Budget Standard
Revenue collection			
Minimum percentage of revenue that is collected by the due date	98%	99.2%	98%
Debt write-offs as a maximum percentage of total Crown revenue collected	0.06%	0.01%	0.06%
Ministerial servicing			
Assessment of the quality of a sample of the agency's policy papers:			
• Minimum average score of papers	3.5 out of 5	3.5	3.5 out of 5
• 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	3.75	3.75 out of 5
Satisfaction of the portfolio Minister with ministerial servicing	Amended measure	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%	98.0%	95%
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%
Other services			
Percentage of external alerts processed in accordance with alert instructions	100%	99.5%	100%
Minimum percentage of requesting agencies and assets providers satisfied with the National Maritime Coordination Centre's coordination of tasking	80%	80.0%	80%

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	2019/20 Final Budgeted \$000	2020/21 Budget \$000	2021/22 Estimated \$000	2022/23 Estimated \$000	2023/24 Estimated \$000
Current Government						
Combating the Sexual Exploitation of Children Across our Cyber Border	2019/20	1,247	2,028	2,160	2,179	2,179
Drug Smuggling Networks: Strategic Disruption	2018/19	2,217	2,828	2,786	2,786	2,786
Previous Government						
Improving the Efficiency and Effectiveness of the Border Sector	2016/17	1,297	1,297	1,297	1,297	1,297
Building Export Markets: Growing Secure Exports to China and ASEAN	2015/16	1,825	1,825	1,825	1,825	1,825
Managing our Border: Screening Departing Passengers	2015/16	480	480	480	480	480
Share of Costs for Budget 2015 Whole-of-Government Initiatives	2015/16	(19)	(19)	(19)	(19)	(19)
Modernising and Transforming Customs' Workforce	2015/16	2,921	2,921	2,921	2,921	2,921

Reasons for Change in Appropriation

This is a new appropriation for 2020/21 created through the consolidation of seven departmental output expense appropriations to three appropriations, refer to schedule 1.4.

Travellers Clearance and Enforcement (M21)

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

	2019/20		2020/21
	Final Budgeted \$000	Estimated Actual \$000	Budget \$000
Total Appropriation	-	-	84,179
Revenue from the Crown	-	-	1,248
Revenue from Others	-	-	76,234

Comparators for Restructured Appropriation

Vote, Type and Title of Appropriation	2019/20		2020/21
	Final Budgeted \$000	Estimated Actual \$000	Budget \$000
Clearance and enforcement related to craft	9,954	9,954	-
Clearance and enforcement related to passengers and crew	80,539	80,539	-
Total	90,493	90,493	84,179

What is Intended to be Achieved with this Appropriation

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

How Performance will be Assessed and End of Year Reporting Requirements

Assessment of Performance	2019/20		2020/21
	Final Budgeted Standard	Estimated Actual	Budget Standard
Air			
Minimum percentage of arriving international air passengers who exit Customs primary processing points within 45 minutes of arrival	90%	96.0%	90%
Minimum percentage of arriving international air passengers and crew (estimated 7.5-8.0 million passengers and crew) who are deemed compliant based on risk assessment and facilitated without further intervention (see Note 1)	98%	99.5%	98%
Percentage of arriving international air passengers and crew who are selected for further risk assessment at Customs' secondary areas	0.6%-1.0%	0.5%	0.4%-0.7%
Result rate of secondary searches of arriving international air passengers and crew (see Note 2)	New measure	8.4%	6.0%-10.0%
Minimum number of random interventions of travellers conducted (through Customs' Assurance programme) (see Note 3)	New measure	3,000	2,000
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%	86.0%	85%
Sea			
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	100%	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 4)	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 5)	5%	7.5%	5%

Note 1 - 'Intervention' means action by the New Zealand Customs Service to carry out further risk assessment. This may include, but is not limited to, further questioning, interview, or baggage search. This excludes passengers who interact with the New Zealand Customs Service because they voluntarily seek out Customs' help or declare items.

Note 2 - An estimated 50%-60% of travellers selected for further risk assessment are subject to a secondary search. A positive result is any outcome of a secondary search that supports the person/item being risk-profiled. This includes, but is not limited to, finding dutiable, prohibited, or undeclared items; finding information on criminal activities; 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 3 - Customs' Assurance programme conducts randomised compliance checks of travellers crossing the border. The standard of 2,000 interventions is the minimum sample required for the assurance model to provide a valid representation of the population. These interventions include random sampling of arriving international air passengers. The New Zealand Customs Service was trialling sampling of cruise passengers in 2019/20 so, depending on the outcome of the trial, these will be included in the interventions in 2020/21.

Note 4 - Boarding 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 5 - 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.

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	2019/20 Final Budgeted \$000	2020/21 Budget \$000	2021/22 Estimated \$000	2022/23 Estimated \$000	2023/24 Estimated \$000
Current Government						
Drug Smuggling Networks: Strategic Disruption	2018/19	5,618	7,156	7,224	7,224	7,224
Previous Government						
Improving the Efficiency and Effectiveness of the Border Sector	2016/17	1,482	1,482	1,482	1,482	1,482
Managing our Border: Expanding SmartGate	2015/16	4,386	4,386	4,386	4,386	4,386
Modernising and Transforming Customs' Workforce	2015/16	841	841	841	841	841
Managing our Border: Screening Departing Passengers	2015/16	602	602	602	602	602

Reasons for Change in Appropriation

This is a new appropriation for 2020/21 created through the consolidation of seven departmental output expense appropriations to three appropriations, refer to schedule 1.4.

Memorandum Account

	2019/20		2020/21
	Budgeted \$000	Estimated Actual \$000	Budget \$000
Border Clearance Levy Memorandum Account			
Opening Balance at 1 July	5,691	5,691	(6,335)
Revenue	68,096	68,096	76,234
Expenses	(80,122)	(80,122)	(82,931)
Transfers and Adjustments			
Closing Balance at 30 June	(6,335)	(6,335)	(13,032)

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.

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

	2019/20		2020/21
	Final Budgeted \$000	Estimated Actual \$000	Budget \$000
Forests/Agricultural	-	-	-
Land	-	-	-
Property, Plant and Equipment	10,379	10,379	9,539
Intangibles	21,622	21,622	17,664
Other	-	-	-
Total Appropriation	32,001	32,001	27,203

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

	2019/20		2020/21
	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 is due to the approval in 2019/20 of a number of large capital projects to support operational requirements.

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

Details of Net Asset Schedule	2019/20 Estimated Actual \$000	2020/21 Projected \$000	Explanation of Projected Movements in 2020/21
Opening Balance	152,477	145,796	
Capital Injections	5,345	786	Funding for Combating the Sexual Exploitation of Children Across our Cyber Border and Drug Smuggling Networks Strategic Disruption.
Capital Withdrawals	-	-	
Surplus to be Retained (Deficit Incurred)	(12,026)	(6,697)	Deficit for Border Clearance Levy Memorandum Account.
Other Movements	-	-	
Closing Balance	145,796	139,885	

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.

Expenses

	2019/20		2020/21
	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

	2019/20		2020/21
	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

	2019/20		2020/21
	Final Budgeted \$000	Estimated Actual \$000	Budget \$000
Total Appropriation	5	5	-

Reasons for Change in Appropriation

This Appropriation is no longer needed from 2020/21. Dependants of Customs' employees posted offshore are now covered under the amendment to section 17(4) of the Accident Compensation Act 2001.

World Customs Organization (M21)*Scope of Appropriation*

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

	2019/20		2020/21
	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

	2019/20		2020/21
	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.