

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

Details of Appropriations and Capital Injections

Annual Appropriations and Forecast Permanent Appropriations

Titles and Scopes of Appropriations by Appropriation Type	2022/23		
	Estimates Budget \$000	Supplementary Estimates Budget \$000	Total 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.	1,716	(28)	1,688
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.	111,145	9,847	120,992
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.	40,880	(7,812)	33,068
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.	88,320	(1,870)	86,450
Total Departmental Output Expenses	242,061	137	242,198
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
Total Departmental Capital Expenditure	21,054	-	21,054
Non-Departmental Other Expenses			
Change in Doubtful Debt Provision (M21) (A3) Provisioning of Doubtful Debts on Customs Crown Revenue.	16,000	-	16,000
World Customs Organization (M21) (A3) New Zealand's contribution to the operating budget of the WCO.	80	-	80
Total Non-Departmental Other Expenses	16,080	-	16,080
Total Annual Appropriations and Forecast Permanent Appropriations	279,195	137	279,332

Multi-Year Appropriations

Type, Title, Scope and Period of Appropriations	Appropriations, Adjustments and Use	\$000
Departmental Output Expenses		
COVID-19 - Maritime Response (M21) (A3) This appropriation is limited to the provision of services relating to mitigating the risk of transmission of COVID-19 across the maritime border. Commences: 01 September 2020 Expires: 30 June 2023	Original Appropriation	44,020
	Adjustments to 2021/22	41,550
	Adjustments for 2022/23	(35,373)
	Adjusted Appropriation	50,197
	Actual to 2021/22 Year End	45,886
	Estimated Actual for 2022/23	4,311
	Estimate for 2023/24	-
	Estimated Appropriation Remaining	-
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 2021/22	-
	Adjustments for 2022/23	17,400
	Adjusted Appropriation	59,700
	Actual to 2021/22 Year End	9,852
	Estimated Actual for 2022/23	32,448
	Estimate for 2023/24	17,400
	Estimated Appropriation Remaining	-

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

	2022/23		
	Estimates Budget \$000	Supplementary Estimates Budget \$000	Total Budget \$000
Total Annual Appropriations and Forecast Permanent Appropriations	279,195	137	279,332
Total Forecast MYA Departmental Output Expenses	57,050	(20,291)	36,759
Total Annual Appropriations and Forecast Permanent Appropriations and Multi-Year Appropriations	336,245	(20,154)	316,091

Capital Injection Authorisations

	2022/23		
	Estimates Budget \$000	Supplementary Estimates Budget \$000	Total Budget \$000
New Zealand Customs Service - Capital Injection (M21) (A3)	59,049	(40,500)	18,549

Supporting Information

Part 1 - Vote as a Whole

1.2 - Trends in the Vote

Summary of Financial Activity

	2022/23				
	Estimates \$000	Supplementary Estimates			Total \$000
		Departmental Transactions \$000	Non- Departmental Transactions \$000	Total Transactions \$000	
Appropriations					
Output Expenses	299,111	(20,154)	-	(20,154)	278,957
Benefits or Related Expenses	-	N/A	-	-	-
Borrowing Expenses	-	-	-	-	-
Other Expenses	16,080	-	-	-	16,080
Capital Expenditure	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	336,245	(20,154)	-	(20,154)	316,091
Crown Revenue and Capital Receipts					
Tax Revenue	17,962,000	N/A	712,000	712,000	18,674,000
Non-Tax Revenue	11,130	N/A	2,450	2,450	13,580
Capital Receipts	-	N/A	-	-	-
Total Crown Revenue and Capital Receipts	17,973,130	N/A	714,450	714,450	18,687,580

Part 2 - Details of Departmental Appropriations

2.1 - Departmental Output Expenses

Border System Performance (M21) (A3)

Scope of Appropriation

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

Expenses and Revenue

	2022/23		
	Estimates \$000	Supplementary Estimates \$000	Total \$000
Total Appropriation	1,716	(28)	1,688
Revenue from the Crown	1,716	(145)	1,571
Revenue from Others	-	117	117

How Performance will be Assessed and End of Year Reporting Requirements

	2022/23		
	Estimates Standard	Supplementary Estimates Standard	Total Standard
Assessment of Performance			
Satisfaction of the Minister for COVID-19 Response with the provision of coordination, information and advice (see Explanation 1)	Meets expectations	Measure removed	-
Satisfaction of the responsible Minister with the provision of coordination, information and advice (see Explanation 1)	Replacement measure	Meets expectations	Meets expectations

Explanation - adjusted performance measure

Explanation 1 - The responsible Minister for this appropriation changed during 2022/23 (due to the COVID-19 Response portfolio being disestablished), so the wording has been changed to reflect that the feedback of the relevant, responsible Minister will be obtained.

Reasons for Change in Appropriation

This appropriation decreased by \$28,000 to \$1.688 million in 2022/23 due to:

- a transfer of \$500,000 from 2022/23 to future years to ensure that sufficient funding exists in the future for the work of the Border Executive Board.

This decrease was partially offset by:

- a transfer of \$238,000 from 2021/22 to 2022/23 to ensure that sufficient funding existed to complete work on the Border System Strategy, and
- a transfer of \$234,000 in 2022/23 by two border sector agencies to support the work of the Border Executive Board.

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

Scope of Appropriation and Expenses

Type, Title, Scope and Period of Appropriations	Appropriations, Adjustments and Use	\$000
COVID-19 - Maritime Response (M21) (A3) This appropriation is limited to the provision of services relating to mitigating the risk of transmission of COVID-19 across the maritime border. Commences: 01 September 2020 Expires: 30 June 2023	Original Appropriation	44,020
	Adjustments to 2021/22	41,550
	Adjustments for 2022/23	(35,373)
	Adjusted Appropriation	50,197
	Actual to 2021/22 Year End	45,886
	Estimated Actual for 2022/23	4,311
	Estimate for 2023/24	-
	Estimated Appropriation Remaining	-

Revenue

	Budget \$000
Revenue from the Crown to end of 2023/24	50,197
Revenue from Others to end of 2023/24	-
Total Revenue	50,197

How Performance will be Assessed and End of Year Reporting Requirements

Assessment of Performance	2022/23		Total Standard
	Estimates Standard	Supplementary Estimates Standard	
Percentage of international maritime ports where Customs maintains a presence to deter non-compliance with the Maritime Border Order (see Explanation 1)	100%	Measure removed	-
Maximum number of instances of non-compliance (including PPE usage and social distancing) identified by Customs staff present at international maritime ports (see Note 1 and Explanation 1)	1,000	Measure removed	-
Percentage of non-compliant instances (see Note 1) observed at the maritime border where Customs takes action to enforce compliance (see Explanation 1)	100%	Measure removed	-
Maintain an extended Customs presence at New Zealand's international maritime ports while the Maritime Border Order is in place (see Explanation 2)	New measure for 2022/23	Achieved	Achieved

Notes

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

Explanations - new and removed performance measures

Explanation 1 - These measures have been removed as they are no longer relevant for 2022/23. In May 2022 the infection prevention controls and managed isolation and quarantine requirements for arriving sea travellers were removed from the Maritime Border Order. This ended Customs' obligation to maintain a permanent presence at all international maritime ports to monitor and enforce compliance with those requirements.

Explanation 2 - This new measure has been added to reflect Customs' extended maritime presence for the duration of the Maritime Border Order in 2022/23. Customs' extended maritime presence at New Zealand's ports was maintained to facilitate the reopening of the maritime border and respond to any COVID-19 resurgence. This extended presence was required until 12 September 2022, when the Maritime Border Order (COVID-19 Public Health Response (Maritime Border) Order (No 2) 2020) was revoked.

Reasons for Change in Appropriation

This appropriation decreased by \$35.373 million to \$50.197 million in 2022/23 due to:

- a decrease of \$27.673 million due to the return of surplus funding following the removal of infection prevention controls and managed isolation and quarantine requirements for arriving sea travellers from the Maritime Border Order in May 2022, and
- a decrease of \$7.700 million due to a fiscally neutral transfer of funding to the Goods Clearance and Enforcement departmental appropriation to support the provision of additional risk assurance measures and COVID-19 resurgence capability at maritime ports.

Goods Clearance and Enforcement (M21) (A3)

Scope of Appropriation

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

Expenses and Revenue

	2022/23		
	Estimates \$000	Supplementary Estimates \$000	Total \$000
Total Appropriation	111,145	9,847	120,992
Revenue from the Crown	49,804	11,352	61,156
Revenue from Others	67,553	(14,331)	53,222

How Performance will be Assessed and End of Year Reporting Requirements

	2022/23		
	Estimates Standard	Supplementary Estimates Standard	Total Standard
Assessment of Performance			
Minimum percentage of investigations (see Note 1), related to import or export of prohibited or restricted goods, where prosecution is initiated (see Note 2)	75%	Revised Note	75%

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

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

Reasons for Change in Appropriation

This appropriation increased by \$9.847 million to \$120.992 million in 2022/23 due to:

- an increase of \$7.700 million due to the transfer of funding from the COVID-19 - Maritime Response departmental appropriation to support the provision of additional risk assurance measures and COVID-19 resurgence capability at maritime ports
- an increase of \$5.148 million due to a fiscally neutral transfer between departmental appropriations to reflect the correct allocation of costs between appropriations per the cost allocation methodology used by the New Zealand Customs Service
- an increase of \$68,000 due to funding received from Vote Transport as a contribution towards the operating costs of the Automatic Identification System.

These increases were partially offset by:

- a reduction of \$2 million due to the transfer of funding from 2022/23 to future years to assist with asset replenishment that was delayed due to the focus on the COVID-19 pandemic response
- a reduction of \$800,000 due to the transfer of funding to future years to assist with salary and wage cost pressures
- a reduction of \$269,000 due to the return of funding related to depreciation savings generated through a change in the accounting treatment for software-as-a-service assets.

Memorandum Account

	2022/23		
	Estimates \$000	Supplementary Estimates \$000	Total \$000
Name of Memorandum Account			
Opening Balance at 1 July	4,666	(7,254)	(2,588)
Revenue	58,931	(20,199)	38,732
Expenses	(52,719)	6,174	(46,545)
Transfers and Adjustments	-	-	-
Closing Balance at 30 June	10,878	(21,279)	(10,401)

Revenue Collection and Other Services (M21) (A3)

Scope of Appropriation

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

Expenses and Revenue

	2022/23		
	Estimates \$000	Supplementary Estimates \$000	Total \$000
Total Appropriation	40,880	(7,812)	33,068
Revenue from the Crown	39,579	(8,355)	31,224
Revenue from Others	1,301	619	1,920

How Performance will be Assessed and End of Year Reporting Requirements

	2022/23		
	Estimates Standard	Supplementary Estimates Standard	Total Standard
Assessment of Performance			
Minimum percentage of investigations (see Note 1), related to fraud, financial crime or tax evasion, where prosecution is initiated (see Note 2)	75%	Revised note	75%

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

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

Reasons for Change in Appropriation

This appropriation decreased by \$7.812 million to \$33.068 million in 2022/23 due to:

- a decrease of \$6.631 million due to a fiscally neutral transfer between departmental appropriations to reflect the correct allocation of costs between appropriations per the cost allocation methodology used by the New Zealand Customs Service
- a reduction of \$1.300 million due to the transfer of funding to future years to assist with salary and wage cost pressures
- a reduction of \$305,000 due to the re-phasing of funding received in Budget 2022 to address tobacco smuggling
- a reduction of \$76,000 due to the return of funding related to depreciation savings generated through a change in the accounting treatment for software-as-a-service assets.

These decreases were partially offset by an increase of \$500,000 due to funding transferred from 2021/22 to 2022/23 for the Border Alignment Project.

Traveller Declaration System Development (M21) (A3)

Scope of Appropriation and Expenses

Type, Title, Scope and Period of Appropriations	Appropriations, Adjustments and Use	\$000
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 2021/22	-
	Adjustments for 2022/23	17,400
	Adjusted Appropriation	59,700
	Actual to 2021/22 Year End	9,852
	Estimated Actual for 2022/23	32,448
	Estimate for 2023/24	17,400
	Estimated Appropriation Remaining	-

Revenue

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

How Performance will be Assessed and End of Year Reporting Requirements

Assessment of Performance	2022/23		Total Standard
	Estimates Standard	Supplementary Estimates Standard	
Implement an extended technology solution to allow for at-scale (see Note 1) processing of health documentation of arriving air and sea travellers (New Zealand Traveller Declaration system tranche 2) (see Explanation 1)	Achieved	Measure removed	-
Deployment of a single solution for processing all arrival declarations (see Note 2) by travellers (New Zealand Traveller Declaration system tranche 3) (see Explanation 2)	Achieved	Discontinued measure	-
Deployment of a single solution for processing of digital arrival declarations (see Note 1) of arriving air travellers (see Explanation 3)	Replacement measure	Achieved	Achieved
Deployment of a single solution for processing of digital arrival declarations (see Note 1) of arriving sea travellers (see Explanation 3)	Replacement measure	Achieved	Achieved

Notes

Note 1 - The New Zealand Traveller Declaration contains customs, biosecurity, and immigration declarations. This replaces the passenger arrival card (which currently contains these declarations) and enables travellers to complete their arrival declaration prior to arrival in New Zealand. The capability to reintroduce health risk assessment information is retained to support future health responses if required.

Explanations - new and removed performance measures

Explanation 1 - This measure has been removed as it is no longer relevant. The expiry of the Epidemic Preparedness (COVID-19) Notice 2020 on 20 October 2022 removed the requirement for health documentation to be included in travellers' arrival declarations.

Explanation 2 - This measure has been discontinued but reworded and split into two new measures for 2022/23, reflecting the deployment of air and sea traveller solutions.

Explanation 3 - These new measures reflect the changes to the New Zealand Traveller Declaration system that have occurred since the inclusion of the removed measure in The Estimates of Appropriations 2022/23. These measures capture the delivery of digital processing of air and sea travellers through the Traveller Declaration system.

Reasons for Change in Appropriation

This appropriation increased by \$17.400 million to \$59.700 million in 2022/23 due to funding being received for the initial operation of the New Zealand Traveller Declaration, the development of port infrastructure, and additional support to industry partners and travellers.

Travellers Clearance and Enforcement (M21) (A3)

Scope of Appropriation

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

Expenses and Revenue

	2022/23		
	Estimates \$000	Supplementary Estimates \$000	Total \$000
Total Appropriation	88,320	(1,870)	86,450
Revenue from the Crown	6,319	(5,457)	862
Revenue from Others	21,479	70,461	91,940

How Performance will be Assessed and End of Year Reporting Requirements

	2022/23		
	Estimates Standard	Supplementary Estimates Standard	Total Standard
Assessment of Performance			
Minimum percentage of arriving small craft subject to Customs secondary interaction (see Note 1 and Explanation 1)	30%	(10%)	20%
Minimum number of arriving air passengers selected for random interventions (under Customs' Assurance programme) (see Note 2 and Explanation 2)	2,000	(500)	1,500
Minimum percentage of investigations (see Note 3), related to travellers and their possessions, where prosecution is initiated (see Note 4)	75%	Revised note	75%
Minimum percentage of arriving international air travellers who are compliant with pre-departure testing requirements (see Explanation 3)	95%	Measure removed	-

Notes

Note 1 - '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 2 - Customs' Assurance programme conducts randomised compliance checks of travellers crossing the border. The standard of 1,500 interventions is the minimum sample required for the assurance model to provide a valid representation of the population.

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

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

Explanations - adjusted and removed performance measures

Explanation 1 - The Estimates standard was adjusted, from 30% to 20%, to reflect the management of Customs' resources as New Zealand's border reopened (following COVID-19 border restrictions), which requires balancing the facilitation of returning cruise ships and small craft arrivals with managing traditional and health risks at the border.

Explanation 2 - The Estimates standard was adjusted, from 2,000 to 1,500, to reflect that the assurance programme did not restart until September 2022 (as a result of COVID-19). The adjusted standard reflects the proportion of the 2022/23 financial year for which the programme was running.

Explanation 3 - This measure has been removed as it is no longer relevant for 2022/23. The Government's COVID-19 pre-departure testing requirements for arriving international air travellers were revoked from 11:59pm on 20 June 2022. The requirement for Customs to check compliance of arriving travellers with pre-departure testing requirements ended from this date.

Reasons for Change in Appropriation

This appropriation decreased by \$1.870 million to \$86.450 million in 2022/23 due to:

- a reduction of \$6.400 million due to the return of surplus funding received to process COVID-19 pre-departure tests at the border
- a reduction of \$700,000 due to the transfer of funding to future years to assist with salary and wage cost pressures
- a reduction of \$192,000 due to the return of funding related to depreciation savings generated through a change in the accounting treatment of software-as-a-service assets.

These reductions were partially offset by:

- an increase of \$3.439 million due to funding required for Financial Sustainability capital injections received in prior year Budgets
- an increase of \$1.483 million due to a fiscally neutral transfer between departmental appropriations to reflect the correct allocation of costs between appropriations per the cost allocation methodology used by the New Zealand Customs Service
- an increase of \$500,000 due to funding transferred from 2021/22 to 2022/23 for the Border Alignment Project.

Memorandum Account

	2022/23		
	Estimates \$000	Supplementary Estimates \$000	Total \$000
Name of Memorandum Account			
Opening Balance at 1 July	(75,771)	14,786	(60,985)
Revenue	21,479	70,461	91,940
Expenses	(82,001)	(1,568)	(83,569)
Transfers and Adjustments	-	-	-
Closing Balance at 30 June	(136,293)	83,679	(52,614)

2.3 - Departmental Capital Expenditure and Capital Injections

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

Scope of Appropriation

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

Capital Expenditure

	2022/23		
	Estimates \$000	Supplementary Estimates \$000	Total \$000
Forests/Agricultural	-	-	-
Land	-	-	-
Property, Plant and Equipment	9,004	-	9,004
Intangibles	12,050	-	12,050
Other	-	-	-
Total Appropriation	21,054	-	21,054

Capital Injections and Movements in Departmental Net Assets

New Zealand Customs Service

Details of Net Asset Schedule	2022/23 Main Estimates Projections \$000	2022/23 Supplementary Estimates Projections \$000	Explanation of Projected Movements in 2022/23
Opening Balance	185,386	173,347	Supplementary Estimates opening balance reflects the audited results as at 30 June 2022.
Capital Injections	59,049	18,549	The reason for the \$40.500 million reduction in the projected capital injections received during 2022/23 is the return of a \$58.500 million capital injection received in Budget 2022 to address revenue shortfalls. This was partially offset by an \$18 million capital injection received for the New Zealand Traveller Declaration project.
Capital Withdrawals	-	(30,905)	The capital withdrawals during 2022/23 relate to the return of \$11 million of a temporary capital injection received in Budget 2021 for revenue shortfalls and the return of \$19.905 million of COVID-19 Response and Recovery Funding that was not required.
Surplus to be Retained (Deficit Incurred)	(54,310)	(186)	
Other Movements	-	-	
Closing Balance	190,125	160,805	