

# *Vote Customs*

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

APPROPRIATION ADMINISTRATOR: New Zealand Customs Service

RESPONSIBLE MINISTER FOR NEW ZEALAND CUSTOMS SERVICE: Minister of Customs

# *Summary of the Vote*

## Overview

The Minister of Customs is responsible for the efficient and timely collection of Crown revenue forecast to be \$12,103 million in the 2014/15 financial year.

The Minister of Customs is also responsible for the appropriations in the Vote for the 2014/15 financial year covering the following:

- a total of over \$57 million on clearance and enforcement services relating to passengers and crew
- a total of over \$69 million on clearance and enforcement services relating to goods
- a total of nearly \$9 million on clearance and enforcement services relating to craft
- a total of nearly \$15 million on information and intelligence services
- a total of over \$6 million on revenue collection
- a total of over \$2 million on policy advice
- a total of just over \$4 million on international services and ministerial servicing.

Details of these appropriations are set out in Parts 2-4.

# Estimates of Appropriations

## Details of Appropriations and Capital Injections

### Annual and Permanent Appropriations

Titles and Scopes of Appropriations by Appropriation Type	2013/14		2014/15
	Budgeted \$000	Estimated Actual \$000	Budget \$000
<b>Departmental Output Expenses</b>			
<b>Clearance and Enforcement Services Related to Craft (M21)</b> 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.	9,008	9,008	8,838
<b>Clearance and Enforcement Services Related to Goods (M21)</b> 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.	71,730	71,730	69,452
<b>Clearance and Enforcement Services Related to Passengers and Crew (M21)</b> 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.	55,880	55,880	57,449
<b>Information and Intelligence Services (M21)</b> 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.	15,526	15,526	14,898
<b>International Services and Ministerial Servicing (M21)</b> 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.	4,717	4,717	4,112
<b>Policy Advice (M21)</b> 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.	2,330	2,330	2,303
<b>Revenue Collection (M21)</b> 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.	6,601	6,601	6,493
<b>Total Departmental Output Expenses</b>	165,792	165,792	163,545
<b>Departmental Capital Expenditure</b>			
<b>New Zealand Customs Service - Capital Expenditure PLA (M21)</b> This appropriation is limited to the purchase or development of assets by and for the use of the New Zealand Customs Service, as authorised by section 24(1) of the Public Finance Act 1989.	30,279	30,279	10,740
<b>Total Departmental Capital Expenditure</b>	30,279	30,279	10,740

Titles and Scopes of Appropriations by Appropriation Type	2013/14		2014/15
	Budgeted \$000	Estimated Actual \$000	Budget \$000
<b>Non-Departmental Other Expenses</b>			
<b>Change in Doubtful Debt Provision (M21)</b> Provisioning of Doubtful Debts on Customs Crown Revenue.	2,000	2,000	<b>2,000</b>
<b>World Customs Organization (M21)</b> New Zealand's contribution to the operating budget of the WCO.	48	48	<b>52</b>
<b>Total Non-Departmental Other Expenses</b>	2,048	2,048	2,052
<b>Total Annual and Permanent Appropriations</b>	198,119	198,119	176,337

## *Supporting Information*

### Part 1 - Vote as a Whole

#### 1.1 - New Policy Initiatives

Policy Initiative	Appropriation	2013/14 Budgeted \$000	2014/15 Budget \$000	2015/16 Estimated \$000	2016/17 Estimated \$000	2017/18 Estimated \$000
Changes to Duty-Free Tobacco Concessions	<b>Clearance and Enforcement Services Related to Passengers and Crew</b> Departmental Output Expenses	-	2,740	420	420	420
Total Initiatives		-	2,740	420	420	420

## 1.2 - Trends in the Vote

### Summary of Financial Activity

	2009/10	2010/11	2011/12	2012/13	2013/14		2014/15			2015/16	2016/17	2017/18
	Actual \$000	Actual \$000	Actual \$000	Actual \$000	Budgeted \$000	Estimated Actual \$000	Departmental Transactions Budget \$000	Non- Departmental Transactions Budget \$000	Total Budget \$000	Estimated \$000	Estimated \$000	Estimated \$000
<b>Appropriations</b>												
Output Expenses	125,616	134,515	140,025	153,517	165,792	165,792	163,545	-	163,545	160,783	160,129	160,129
Benefits or Related Expenses	-	-	-	-	-	-	N/A	-	-	-	-	-
Borrowing Expenses	-	-	-	-	-	-	-	-	-	-	-	-
Other Expenses	68	54	52	45	2,048	2,048	-	2,052	2,052	2,052	2,052	2,052
Capital Expenditure	15,822	19,382	45,864	41,971	30,279	30,279	10,740	-	10,740	7,390	17,290	7,390
Intelligence and Security Department Expenses and Capital Expenditure	-	-	-	-	-	-	-	N/A	-	-	-	-
Multi-Category Expenses and Capital Expenditure (MCA)												
<i>Output Expenses</i>	-	-	-	-	-	-	-	-	-	-	-	-
<i>Other Expenses</i>	-	-	-	-	-	-	-	-	-	-	-	-
<i>Capital Expenditure</i>	-	-	-	-	-	-	N/A	-	-	-	-	-
<b>Total Appropriations</b>	<b>141,506</b>	<b>153,951</b>	<b>185,941</b>	<b>195,533</b>	<b>198,119</b>	<b>198,119</b>	<b>174,285</b>	<b>2,052</b>	<b>176,337</b>	<b>170,225</b>	<b>179,471</b>	<b>169,571</b>
<b>Crown Revenue and Capital Receipts</b>												
Tax Revenue	8,776,726	10,562,751	11,346,026	11,239,156	11,785,000	11,785,000	N/A	12,103,000	12,103,000	12,719,000	13,443,000	14,366,000
Non-Tax Revenue	192	92	-	1	80	80	N/A	80	80	80	80	80
Capital Receipts	-	-	-	-	-	-	N/A	-	-	-	-	-
<b>Total Crown Revenue and Capital Receipts</b>	<b>8,776,918</b>	<b>10,562,843</b>	<b>11,346,026</b>	<b>11,239,157</b>	<b>11,785,080</b>	<b>11,785,080</b>	<b>N/A</b>	<b>12,103,080</b>	<b>12,103,080</b>	<b>12,719,080</b>	<b>13,443,080</b>	<b>14,366,080</b>

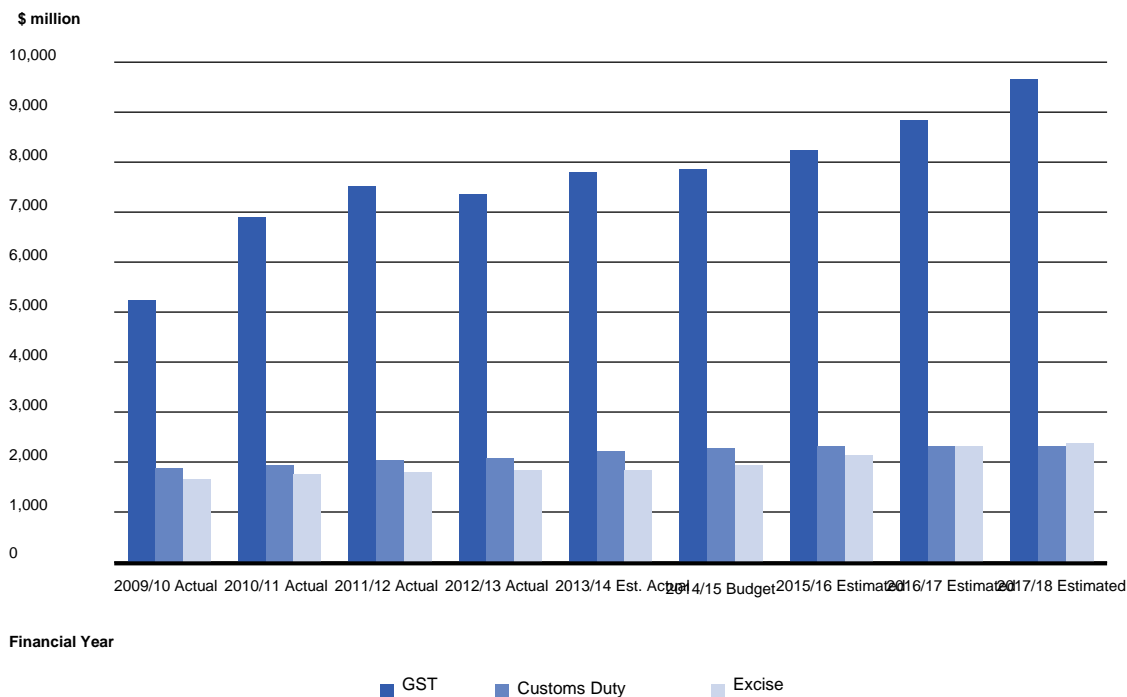
Note - where restructuring of the vote has occurred then, to the extent practicable, prior years information has been restated as if the restructuring had occurred before the beginning of the period covered.

## 1.3 - Analysis of Significant Trends

### *Crown Revenue*

Crown revenue is collected through customs duties and GST on imports and excise on alcoholic beverages, tobacco, and petroleum products. Figure 1 notes the trend of collections by category of Crown revenue.

**Figure 1** - Crown revenue collections by category 2009/10 to 2017/18



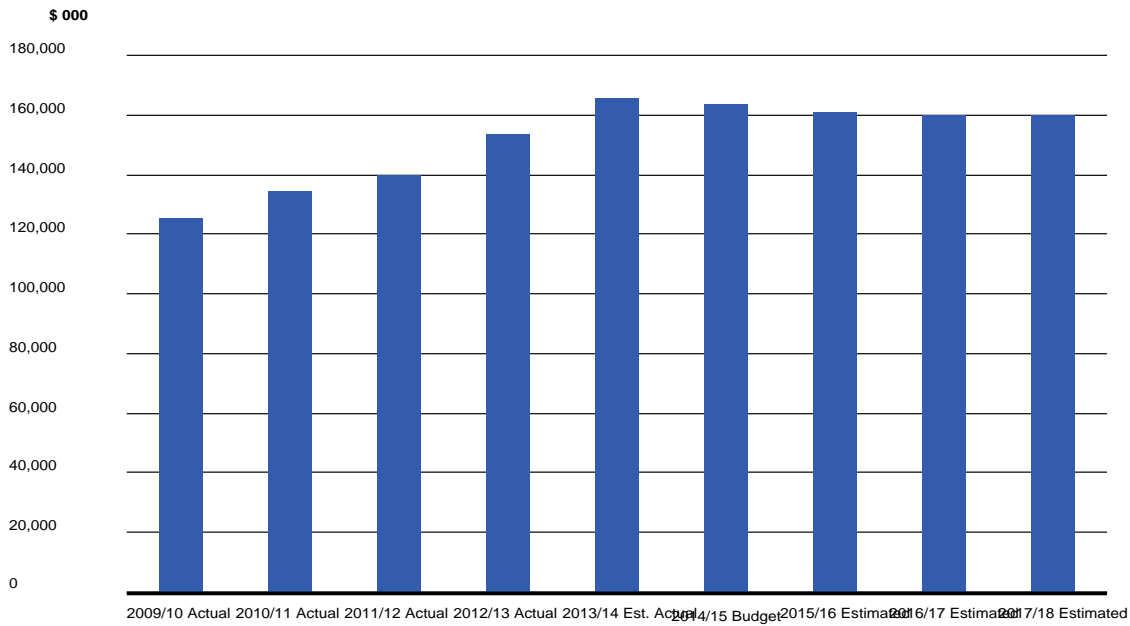
Source: New Zealand Customs Service

### *Departmental Output Expenses*

Annual appropriations for the purchase of departmental outputs are expected to decrease by \$2.247 million for 2014/15 compared with 2013/14. The net change in the total appropriation primarily relates to one-off additional operating funding in 2013/14 for the implementation of Tranche 1 of the Joint Border Management System.

Trends in comparative actual and estimated expenses for Output Expense appropriations under this Vote are shown in Figure 2 below.

**Figure 2** - Trends in total actual and estimated expenses and capital expenditure



**Financial Year**

Source: New Zealand Customs Service

The increase in output expenses in 2013/14 is primarily as a result of the development of Tranche 1 of the Joint Border Management System. The increase from previous years is a result of operating funding being approved for Tranche 1 of the Joint Border Management System, automated passenger processing and digital tracking and surveillance technologies.



## 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*

	2013/14		2014/15
	Budgeted \$000	Estimated Actual \$000	Budget \$000
Total Appropriation	9,008	9,008	8,838
Revenue from the Crown	8,742	8,742	8,597
Revenue from Others	266	266	241

##### *What is Intended to be Achieved with this Appropriation*

This appropriation is intended to achieve the operation of secure and efficient border processes in relation to craft so that New Zealand remains safe and secure from risk associated with international craft movements.

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

	2013/14		2014/15
	Budgeted Standard	Estimated Actual Standard	Budget Standard
Assessment of Performance			
<b>Craft output: Craft operators are encouraged to assist and comply</b>			
Percentage of small marine craft arriving (estimated 600-700 small craft) that are boarded as soon as practicable after arrival in a New Zealand port	N/A - new measure	98%	100%
Percentage of arriving commercial marine craft (including cruise ships) showing high risk or requiring administrative process (estimated 450-650 commercial craft) that are boarded while in a New Zealand port (see Note 1)	N/A - new measure	98%	100%
<b>Craft output: Craft operators' compliance is monitored</b>			
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)	≥10%	12.7%	≥10%

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 by the New Zealand Customs Service (Customs) 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	2013/14 Budgeted \$000	2014/15 Budget \$000	2015/16 Estimated \$000	2016/17 Estimated \$000	2017/18 Estimated \$000
Joint Border Management System	2010/11	485	485	485	485	485
Contribution to the New Zealand Productivity Commission	2010/11	(4)	(4)	(4)	(4)	(4)

### *Reasons for Change in Appropriation*

The decrease in the appropriation is primarily as a result of one-off costs incurred during 2013/14 for the implementation and enhancements of Information Systems along with the updated forecast of costs and cost drivers.

## **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*

	2013/14		2014/15
	Budgeted \$000	Estimated Actual \$000	Budget \$000
Total Appropriation	71,730	71,730	69,452
Revenue from the Crown	17,891	17,891	15,850
Revenue from Others	53,839	53,839	53,602

### *What is Intended to be Achieved with this Appropriation*

This appropriation is intended to achieve the operation of secure and efficient border processes in relation to goods so that New Zealand remains safe and secure from risk arising from international trade, while ensuring that New Zealand's trade flows freely and the due Crown revenue can be collected.

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

Assessment of Performance	2013/14		2014/15
	Budgeted Standard	Estimated Actual Standard	Budget Standard
<b>Trade</b>			
<b>Trade intermediate outcome: Importers and exporters are satisfied with the quality of service delivery</b>			
Average percentage of importers and exporters satisfied or very satisfied with the overall quality of Customs' service delivery (as measured by Customs' stakeholder survey) (see Note 1)	≥75%	92%	≥85%
<b>Trade intermediate outcome: Importers and exporters feel encouraged and assisted to comply</b>			
Average 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) (see Note 1)	≥80%	82.5%	≥80%
Ratio of X-ray inspections required on Secure Exports Scheme (SES) containers to non-SES (see Note 2)	N/A - new measure	<1:12.5	<1:10
<b>Goods processing output: Legitimate goods cross the border with minimal interaction</b>			
Percentage of trade transactions processed within 30 minutes (see Note 3)	≥95%	99.6%	≥95%
Percentage of import transactions that are deemed compliant based on risk assessment and proceed without further intervention (see Notes 4 and 5)	≥95%	97.2%	≥95%
Percentage of export transactions that are deemed compliant based on risk assessment and proceed without further intervention (see Notes 4 and 5)	≥99%	99.3%	≥99%
<b>Goods processing output: Traders' compliance is monitored</b>			
Percentage of a random sample of import and export entries that are found to be compliant through the transactional verification process	N/A - new measure	93%	>90%
<b>Protection (see Note 6)</b>			
<b>Protection intermediate outcome: The New Zealand public is protected through the interception of harm and potential harm</b>			
The value of harm avoided through Customs' drug seizures, as measured by indicative data from the New Zealand Drug Harm Index (see Note 7)	N/A - new measure	\$145 million	\$100-\$200 million
Losses incurred by importers of illegal goods through seizure of illicit drugs, goods infringing intellectual property, and the associated proceeds of crime (see Note 7)	N/A - new measure	\$12 million	≥\$10 million
<b>Protection intermediate outcome: The New Zealand public is confident that Customs protects New Zealand through the interception of harm and potential harm</b>			
Percentage of public confident that Customs protects New Zealand from external threats (as measured by Customs' stakeholder survey) (see Notes 1 and 8)	N/A - new measure	45%-65% across three dimensions	≥40%

Assessment of Performance	2013/14		2014/15
	Budgeted Standard	Estimated Actual Standard	Budget Standard
Protection (see Note 6) - cont'd			
<b>Goods processing output: Goods that show risk are subject to further intervention</b>			
Percentage of total mail items that result in an enforcement consequence following risk assessment (see Note 9)	≥0.02%	0.03%	≥0.02%
Number of risk-based trade compliance audit activities undertaken (see Note 10)	N/A - new measure	450	≥400
<b>Investigations output: Goods that show risk are subject to further intervention</b>			
Percentage of investigation cases (estimated between 400 to 600 cases) finalised within 12 months of commencement (see Note 11)	≥90%	96.1%	≥90%
Percentage of serious investigation cases (see Note 12) that lead to punitive action (see Note 13)	≥95%	96.8%	≥95%

Note 1 - Customs' stakeholder survey has a 4% to 5% margin of error at 95% confidence. This means that there is uncertainty about what the actual level is. For example, a score of 90% could reflect a true actual level of 85%. With an 85% actual level, a different sample could have generated a result of 80%. Budget standards for survey results build in an allowance for this expected range of results.

Note 2 - Ratio of X-ray inspection rate of Secure Exports Scheme (SES) export full container loads to non-SES container load inspection rates. This is a measure of the reduced intervention with export shipments where Customs can assure New Zealand's trade partners that the goods are secure. Export goods are inspected to provide assurance to New Zealand's trade partners that New Zealand's exports are secure. Exporters who are members of Customs' trusted trader programme, SES, can provide that assurance through their security processes, thereby reducing the need for inspecting their goods.

Note 3 - 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 7 million to 8 million import transactions, and 2 million to 3 million export transactions, and 3,600 to 4,200 excise returns).

Note 4 - The percentage of import transactions deemed compliant is lower than the percentage of export items deemed compliant because the nature of the risk is different between imports and exports; the nature of the traders involved is different, and risk for many exports is managed under the SES.

Note 5 - 'Intervention' means action by Customs to carry out further risk assessment. This may include, but is not limited to, document inspection, screening, or search.

Note 6 - The following output classes also contribute to the Protection outcome: Clearance and enforcement services related to passengers 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 7 - The value of drug harm avoided, and loss to importers of illegal goods through seizure of drugs and cash is affected by drug importation activity.

Note 8 - Travellers surveyed through Customs' stakeholder survey act as a proxy for public confidence against people coming into or leaving New Zealand illegally; and illicit drugs, people with criminal or terrorist intent, cultural and heritage items, endangered species and flora and fauna, illegal and stolen goods, and indecent materials entering or leaving New Zealand.

Note 9 - Enforcement consequence is comprised of Customs' Activity Reports raised at the International Mail Centre; and items referred to the Ministry for Primary Industries, New Zealand Post, or Ministry of Health. Activity Reports are raised when non-compliant items are found, and action is taken in response.

Note 10 - This measure reflects a new process. Trade compliance field audits are carried out on the basis of identified risk, and this can result in complex audits.

Note 11 - Investigations measures apply to all investigation cases. The 10% of investigation cases that take more than 12 months are particularly complex, and may be connected to subsequent investigations. They may be open for a number of years.

Note 12 - A serious investigation case involves, or has the potential to involve, serious community harm. Examples of serious investigation cases would include those that involve 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 13 - 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; imposition of section 223 Customs and Excise Act 1996 penalty ie, fine or other penalty; 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	2013/14 Budgeted \$000	2014/15 Budget \$000	2015/16 Estimated \$000	2016/17 Estimated \$000	2017/18 Estimated \$000
Disrupting 'P' Supply and Dismantling Criminal Networks	2010/11	2,095	2,095	2,095	2,095	2,095
Joint Border Management System	2010/11	7,511	7,511	7,511	7,511	7,511
Contribution to the New Zealand Productivity Commission	2010/11	(30)	(30)	(30)	(30)	(30)

### *Reasons for Change in Appropriation*

The decrease in the appropriation is primarily as a result of one-off costs incurred during 2013/14 for the implementation and enhancements of Information Systems along with the updated forecast of costs and cost drivers.

## 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

	2013/14		2014/15
	Budgeted \$000	Estimated Actual \$000	Budget \$000
Total Appropriation	55,880	55,880	57,449
Revenue from the Crown	53,879	53,879	55,617
Revenue from Others	2,001	2,001	1,832

### What is Intended to be Achieved with this Appropriation

This appropriation is intended to achieve the operation of secure and efficient border processes in relation to passengers and crew so that New Zealand remains safe and secure from risk arising from international travel, while ensuring that travel to and from New Zealand flows freely.

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

	2013/14		2014/15
	Budgeted Standard	Estimated Actual Standard	Budget Standard
Assessment of Performance			
<b>Travel intermediate outcome: Travellers are satisfied with the service received during immigration processing</b>			
Percentage of travellers who rate their experience of immigration processing as good or very good (as measured by Customs' stakeholder survey) (see Note 1)	N/A - new measure	90%	≥85%
Percentage of international air passengers satisfied or very satisfied that Customs processes passengers quickly and conveniently (as measured by Customs' stakeholder survey) (see Note 1)	≥70%	82%	≥77%
Percentage of international air passengers satisfied or very satisfied that Customs provides a friendly welcome to New Zealand (as measured by Customs' stakeholder survey) (see Note 1)	≥65%	85%	≥80%
<b>Travel intermediate outcome: Travellers feel encouraged and assisted to comply</b>			
Percentage of international air passengers that find the information provided by Customs helpful (as measured by Customs' stakeholder survey) (see Note 1)	≥80%	86%	≥85%
Percentage of travellers who trust Customs (as measured by Customs' stakeholder survey) (see Note 1)	N/A - new measure	89%	≥85%

Assessment of Performance	2013/14		2014/15
	Budgeted Standard	Estimated Actual Standard	Budget Standard
<b>Passenger processing output: Legitimate travellers cross the border with minimal intervention</b>			
Percentage of arriving international air passengers and crew (estimated 4.800 million to 5.320 million passengers and crew) who are deemed compliant based on risk assessment and facilitated without further intervention (see Notes 2, 3 and 4)	≥98%	99.2%	≥98%
Percentage of arriving international air passengers who exit Customs primary processing points within 45 minutes of arrival	≥90%	95.9%	≥90%
<b>Passenger processing output: Passengers who show risk are subject to further intervention</b>			
Percentage of arriving international air passengers and crew who are selected for further risk assessment at Customs' secondary areas (see Note 4)	0.8%-1.2%	0.8%	0.6%-1.0%
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 (see Note 5)	20%-30%	27.5%	20%-30%
<b>Passenger processing output: Passengers can complete their transactions with government easily in a digital environment</b>			
Percentage of eligible (see Note 6) arriving passengers who use SmartGate	≥55%	66.2%	≥60%
Percentage of eligible (see Note 6) departing passengers who use SmartGate	N/A - new measure	59.0%	≥60%

Note 1 - Customs' stakeholder survey has a 4% to 5% margin of error at 95% confidence. This means that there is uncertainty about what the actual level is. For example, a score of 90% could reflect a true actual level of 85%. With an 85% actual level, a different sample could have generated a result of 80%. Budget standards for survey results build in an allowance for this expected range of results.

Note 2 - All passengers and crew are assessed for risk, including screening against advance passenger information. Information is collected from all passengers and crew as part of the facilitation process. Passengers and crew may be subject to dog and X-ray screening, and may also be referred from Ministry for Primary Industries screening.

Note 3 - 'Intervention' means action by Customs to carry out further risk assessment. This may include, but is not limited to, further questioning, interview, or baggage search.

Note 4 - It is estimated that 0.6% to 1% of passengers and crew will be selected for further risk assessment, and directed to secondary areas for further intervention. From this point on, passengers and crew are no longer being facilitated, and Customs is carrying out an enforcement role.

Note 5 - All passengers who are searched produce either intelligence information, or discovery of prohibited, restricted, or dutiable items, or both.

Note 6 - For the purposes of this measure, 'eligible' means passengers aged 16 years and over travelling on a New Zealand or Australian electronic passport. Extending eligibility can affect use by existing eligible passengers where, for example, families do not complete SmartGate processing if one child does not process successfully.

### *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	2013/14 Budgeted \$000	2014/15 Budget \$000	2015/16 Estimated \$000	2016/17 Estimated \$000	2017/18 Estimated \$000
Changes to Duty-Free Tobacco Concessions	2014/15	-	2,740	420	420	420
Joint Border Management System	2010/11	2,750	2,750	2,750	2,750	2,750
Contribution to the New Zealand Productivity Commission	2010/11	(31)	(31)	(31)	(31)	(31)

### *Reasons for Change in Appropriation*

The increase in the appropriation is as a result of the additional funding to support the changes to duty-free tobacco concessions partially offset by one-off costs incurred during 2013/14 for the implementation and enhancements of Information Systems, along with the updated forecast of costs and cost drivers.

## **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*

	2013/14		2014/15
	Budgeted \$000	Estimated Actual \$000	Budget \$000
Total Appropriation	15,526	15,526	14,898
Revenue from the Crown	12,608	12,608	12,203
Revenue from Others	2,918	2,918	2,695

### *What is Intended to be Achieved with this Appropriation*

This appropriation is intended to achieve the operation of secure and efficient information and intelligence services in relation to people, goods, and craft crossing the border, and in relation to goods that attract excise duties.



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

Assessment of Performance	2013/14		2014/15
	Budgeted Standard	Estimated Actual Standard	Budget Standard
<b>Protection intermediate outcome: Users of information and intelligence products are satisfied with the service delivered</b>			
Percentage of external clients who are satisfied with intelligence and risk products (estimated between 1,600 to 1,800) disseminated by Customs	≥80%	80%	≥80%
Percentage of external clients who are satisfied with Customs' management of alerts created by their agency (estimated between 40,000 to 45,000 alerts)	≥80%	80%	≥80%
Percentage of requesting agencies and assets providers satisfied with National Maritime Coordination Centre's responsiveness, transparency, and prioritisation in coordination of tasking, and provision of the recognised maritime picture	≥90%	90%	≥90%
<b>Information and intelligence services output: Surveillance resources are allocated to areas of the highest risk</b>			
Percentage of maritime patrol areas with aggregated risk assessments in the highest 5% that are allocated resources (see Note 1)	≥90%	79.5%	≥80%

Note 1 - The National Maritime Coordination Centre prioritises tasking requests and matches suitable available maritime patrol and surveillance assets to maritime patrol areas of greatest risk, according to risk assessments completed by civilian agencies. This ensures optimal use of the assets of all providers.

### *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	2013/14 Budgeted \$000	2014/15 Budget \$000	2015/16 Estimated \$000	2016/17 Estimated \$000	2017/18 Estimated \$000
Joint Border Management System	2010/11	12,148	12,148	12,148	12,148	12,148
Contribution to the New Zealand Productivity Commission	2010/11	(4)	(4)	(4)	(4)	(4)

### *Reasons for Change in Appropriation*

The decrease in the appropriation is primarily as a result of one-off costs incurred during 2013/14 for the implementation and enhancements of Information Systems along with the updated forecast of costs and cost drivers.

## 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*

	2013/14		2014/15
	Budgeted \$000	Estimated Actual \$000	Budget \$000
Total Appropriation	4,717	4,717	4,112
Revenue from the Crown	3,279	3,279	3,007
Revenue from Others	1,438	1,438	1,105

### *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*

	2013/14		2014/15
	Budgeted Standard	Estimated Actual Standard	Budget Standard
Assessment of Performance			
<b>International services and ministerial servicing intermediate outcome: Minister's satisfaction</b>			
Minister's satisfaction with advice and support in relation to international services and assistance provided	Meets expectations	Meets expectations	Meets expectations
<b>International services and ministerial servicing output: Delivery of draft responses and replies</b>			
Percentage of draft replies to ministerial correspondence (estimated between 70 to 100 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 20 to 50 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.

### *Reasons for Change in Appropriation*

The decrease in the appropriation is due to the operating funding provided for aid projects to support customs sector development in the Pacific decreasing due to the completion of this project work and one-off costs incurred during 2013/14 for the implementation and enhancements of Information Systems, along with the updated forecast of costs and cost drivers.

### **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*

	2013/14		2014/15
	Budgeted \$000	Estimated Actual \$000	Budget \$000
Total Appropriation	2,330	2,330	2,303
Revenue from the Crown	2,315	2,315	2,290
Revenue from Others	15	15	13

#### *What is Intended to be Achieved with this Appropriation*

This appropriation is intended to achieve the provision of quality, timely, and cost-effective policy advice to Ministers to support decision-making by Ministers on border security, border management, customs revenue, and other policy proposals.

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

	2013/14		2014/15
	Budgeted Standard	Estimated Actual Standard	Budget Standard
Assessment of Performance			
<b>Policy advice intermediate outcome: Minister's satisfaction with policy advice</b>			
Minister's satisfaction with policy advice, as measured by the common satisfaction survey (see Notes 1 and 2)	≥70%	70%	≥75%
<b>Policy advice output: Quality of policy papers</b>			
Median technical quality assessment score for a sample of policy papers as assessed by NZIER with a robustness of at least 75% (see Note 3)	≥75%	69%	≥75%
<b>Policy advice: cost-effectiveness</b>			
Total cost of professional staff per hour of producing outputs (see Note 4)	<\$85	\$70	<\$85

Note 1 - A score of 70% corresponds to "meets expectations".

Note 2 - Reporting of this indicator is conditional on the Minister completing the assessment.

Note 3 - The higher the robustness score, the stronger the methodological quality of the completed assessment. The estimated robustness is based on NZIER carrying out a review of at least 10 randomly selected Policy Advice output papers.

Note 4 - Based on the allocation of FTEs to output Policy Advice appropriated by the Policy Advice output appropriation.

### *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	2013/14 Budgeted \$000	2014/15 Budget \$000	2015/16 Estimated \$000	2016/17 Estimated \$000	2017/18 Estimated \$000
Contribution to the New Zealand Productivity Commission	2010/11	(3)	(3)	(3)	(3)	(3)

### *Reasons for Change in Appropriation*

The decrease in the appropriation is primarily as a result of one-off costs incurred during 2013/14 for the implementation and enhancements of Information Systems along with the updated forecast of costs and cost drivers.

## **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*

	2013/14		2014/15
	Budgeted \$000	Estimated Actual \$000	Budget \$000
Total Appropriation	6,601	6,601	6,493
Revenue from the Crown	6,359	6,359	6,321
Revenue from Others	242	242	172

### *What is Intended to be Achieved with this Appropriation*

This appropriation is intended to achieve the operation of secure and efficient processes in relation to the collection of due Crown revenue to ensure that due Crown revenue is collected.

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

	2013/14		2014/15
	Budgeted Standard	Estimated Actual Standard	Budget Standard
Assessment of Performance			
<b>Revenue intermediate outcome: Revenue clients are encouraged and assisted to comply</b>			
Percentage of revenue that is collected electronically	≥95%	98%	≥95%
Number of clients that meet credit criteria and have access to the deferred payment scheme	≥8,000	8,100	≥8,000
<b>Revenue output: Due revenue is collected</b>			
Percentage of revenue that is collected by the due date	≥98%	99.5%	≥98%
<b>Revenue output: Revenue clients' compliance is monitored</b>			
Debt write-offs as a percentage of total revenue collected in that year	≤0.02%	0.015%	≤0.02%
Additional revenue owed that is identified through the trade compliance programme	>\$15 million	\$18 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	2013/14 Budgeted \$000	2014/15 Budget \$000	2015/16 Estimated \$000	2016/17 Estimated \$000	2017/18 Estimated \$000
Contribution to the New Zealand Productivity Commission	2010/11	(3)	(3)	(3)	(3)	(3)

### *Reasons for Change in Appropriation*

The decrease in the appropriation is primarily as a result of one-off costs incurred during 2013/14 for the implementation and enhancements of Information Systems along with the updated forecast of costs and cost drivers.

## 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*

	2013/14		2014/15
	Budgeted \$000	Estimated Actual \$000	Budget \$000
Forests/Agricultural	-	-	-
Land	-	-	-
Property, Plant and Equipment	7,911	7,911	4,440
Intangibles	22,368	22,368	6,300
Other	-	-	-
<b>Total Appropriation</b>	<b>30,279</b>	<b>30,279</b>	<b>10,740</b>

#### *What is Intended to be Achieved with this Appropriation*

This appropriation is intended to achieve the renewal and replacement of life-expired 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*

	2013/14		2014/15
	Budgeted Standard	Estimated Actual Standard	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	N/A - new measure	Achieved	Achieved

#### *End of Year Performance Reporting*

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

## *Capital Injections and Movements in Departmental Net Assets*

### **New Zealand Customs Service**

Details of Net Asset Schedule	2013/14 Estimated Actual \$000	2014/15 Projected \$000	Explanation of Projected Movements in 2014/15
Opening Balance	136,220	136,818	
Capital Injections	598	-	Capital expenditure to complete Tranche 1 of the Joint Border Management System.
Capital Withdrawals	-	-	
Surplus to be Retained (Deficit Incurred)	-	-	
Other Movements	-	-	
<b>Closing Balance</b>	<b>136,818</b>	<b>136,818</b>	

## 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*

	2013/14		2014/15
	Budgeted \$000	Estimated Actual \$000	Budget \$000
Total Appropriation	2,000	2,000	2,000

##### *What is Intended to be Achieved with this Appropriation*

This appropriation is intended to achieve 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*

	2013/14		2014/15
	Budgeted Standard	Estimated Actual Standard	Budget Standard
Assessment of Performance			
Debt write-offs as a percentage of total Crown revenue collected in that year	N/A - new measure	0.015%	≤0.02%

##### *End of Year Performance Reporting*

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



## World Customs Organization (M21)

### *Scope of Appropriation*

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

	2013/14		2014/15
	Budgeted \$000	Estimated Actual \$000	Budget \$000
Total Appropriation	48	48	52

### *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*

	2013/14		2014/15
	Budgeted Standard	Estimated Actual Standard	Budget Standard
Assessment of Performance			
New Zealand's contribution to the operating budget of the WCO paid by the due date	N/A - new measure	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 increase in the appropriation is due to a forecast exchange rate change.