

# *Vote Customs*

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APPROPRIATION MINISTER(S): Minister of Customs (M21), Minister for COVID-19 Response (M103)

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	2020/21		
	Estimates Budget \$000	Supplementary Estimates Budget \$000	Total Budget \$000
<b>Departmental Output Expenses</b>			
<b>Border System Performance (M103) (A3)</b> 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.	-	750	750
<b>Goods Clearance and Enforcement (M21) (A3)</b> 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.	103,401	13,159	116,560
<b>Revenue Collection and Other Services (M21) (A3)</b> 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	2,239	41,734
<b>Travellers Clearance and Enforcement (M21) (A3)</b> 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	(18,040)	66,139
<b>Total Departmental Output Expenses</b>	227,075	(1,892)	225,183
<b>Departmental Capital Expenditure</b>			
<b>New Zealand Customs Service - Capital Expenditure PLA (M21) (A3)</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.	27,203	-	27,203
<b>Total Departmental Capital Expenditure</b>	27,203	-	27,203
<b>Non-Departmental Other Expenses</b>			
<b>Change in Doubtful Debt Provision (M21) (A3)</b> Provisioning of Doubtful Debts on Customs Crown Revenue.	8,000	16,000	24,000
<b>World Customs Organization (M21) (A3)</b> New Zealand's contribution to the operating budget of the WCO.	80	-	80
<b>Total Non-Departmental Other Expenses</b>	8,080	16,000	24,080
<b>Total Annual Appropriations and Forecast Permanent Appropriations</b>	262,358	14,108	276,466

## Multi-Year Appropriations

Type, Title, Scope and Period of Appropriations	Appropriations, Adjustments and Use	\$000
<b>Departmental Output Expenses</b>		
<b>COVID-19 - Maritime Response (M21) (A3)</b>	Original Appropriation	44,020
This appropriation is limited to the provision of services relating to mitigating the risk of transmission of COVID-19 across the maritime border.	Adjustments to 2019/20	-
	Adjustments for 2020/21	-
Commences: 01 September 2020	Adjusted Appropriation	44,020
Expires: 30 June 2022	Actual to 2019/20 Year End	-
	Estimated Actual for 2020/21	22,157
	Estimate for 2021/22	21,863
	Estimated Appropriation Remaining	-

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

	2020/21		
	Estimates Budget \$000	Supplementary Estimates Budget \$000	Total Budget \$000
Total Annual Appropriations and Forecast Permanent Appropriations	262,358	14,108	276,466
Total Forecast MYA Departmental Output Expenses	-	22,157	22,157
<b>Total Annual Appropriations and Forecast Permanent Appropriations and Multi-Year Appropriations</b>	<b>262,358</b>	<b>36,265</b>	<b>298,623</b>

## Capital Injection Authorisations

	2020/21		
	Estimates Budget \$000	Supplementary Estimates Budget \$000	Total Budget \$000
New Zealand Customs Service - Capital Injection (M21) (A3)	786	58,011	58,797

# Supporting Information

## Part 1 - Vote as a Whole

### 1.2 - Trends in the Vote

#### Summary of Financial Activity

	2020/21				
	Estimates \$000	Supplementary Estimates			Total \$000
		Departmental Transactions \$000	Non- Departmental Transactions \$000	Total Transactions \$000	
<b>Appropriations</b>					
Output Expenses	227,075	20,265	-	20,265	247,340
Benefits or Related Expenses	-	N/A	-	-	-
Borrowing Expenses	-	-	-	-	-
Other Expenses	8,080	-	16,000	16,000	24,080
Capital Expenditure	27,203	-	-	-	27,203
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>	262,358	20,265	16,000	36,265	298,623
<b>Crown Revenue and Capital Receipts</b>					
Tax Revenue	15,921,000	N/A	(1,309,000)	(1,309,000)	14,612,000
Non-Tax Revenue	9,242	N/A	(570)	(570)	8,672
Capital Receipts	-	N/A	-	-	-
<b>Total Crown Revenue and Capital Receipts</b>	15,930,242	N/A	(1,309,570)	(1,309,570)	14,620,672

## Part 2 - Details of Departmental Appropriations

### 2.1 - Departmental Output Expenses

#### Border System Performance (M103) (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*

	2020/21		
	Estimates \$000	Supplementary Estimates \$000	Total \$000
Total Appropriation	-	750	750
Revenue from the Crown	-	750	750
Revenue from Others	-	-	-

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

This appropriation is intended to achieve an end-to-end border process that integrates health risk management and strategic border system improvements. This will be achieved through the provision of support to the Border Executive Board to enable it to provide policy and investment advice to assist effective decision-making, design and coordination for the border system to improve the wellbeing of New Zealanders.

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

	2020/21		
	Estimates Standard	Supplementary Estimates Standard	Total Standard
Assessment of Performance			
The Border Executive Board has a risk and assurance framework for the end-to-end border process with respect to COVID-19	New measure for 2020/21	Achieved	Achieved
Satisfaction of the Minister for COVID-19 Response with the provision of coordination, information and advice	New measure for 2020/21	Meets expectations	Meets expectations

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

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

##### *Reasons for Change in Appropriation*

New funding of \$750,000 to support the newly established Border Executive Board. This is a new appropriation.

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

### *Scope of Appropriation and Expenses*

Type, Title, Scope and Period of Appropriations	Appropriations, Adjustments and Use	\$000
<b>COVID-19 - Maritime Response (M21) (A3)</b> 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 2022	Original Appropriation	44,020
	Adjustments to 2019/20	-
	Adjustments for 2020/21	-
	Adjusted Appropriation	44,020
	Actual to 2019/20 Year End	-
	Estimated Actual for 2020/21	22,157
	Estimate for 2021/22	21,863
	Estimated Appropriation Remaining	-

### *Revenue*

	Budget \$000
Revenue from the Crown to end of 2021/22	43,750
Revenue from Others to end of 2021/22	270
Total Revenue	44,020

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

This appropriation is intended to achieve border processes to mitigate the risk of transmission of COVID-19 into New Zealand across the maritime border.

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

Assessment of Performance	2020/21		
	Estimates Standard	Supplementary Estimates Standard	Total Standard
Percentage of international maritime ports where Customs maintains a presence to deter non-compliance with the Maritime Border Order	New measure for 2020/21	100%	100%
Instances of non-compliance (including PPE usage and social distancing) identified by Customs staff present at international maritime ports (see Note 1)	New measure for 2020/21	1,000-2,000	1,000-2,000

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.

### *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*

A new \$40 million multi-year appropriation was established on 1 September 2020 to mitigate the risk of transmission of COVID-19 across the maritime border. It increased by \$4.020 million in 2020/21 to \$44.020 million due to:

- an increase of \$3.700 million through a fiscally neutral transfer between departmental appropriations to reflect the redeployment of existing Customs staff who were required to perform new or varied tasks (including the performance of tasks at the maritime border) in response to the COVID-19 pandemic
- an increase of \$270,000 through the secondment of staff from the Department of Conservation and the Ministry for Primary Industries to assist with mitigating the risk of COVID-19 crossing the maritime border, and
- an increase of \$50,000 through the receipt of capital charge funding to support a capital injection.

### **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*

	2020/21		
	Estimates \$000	Supplementary Estimates \$000	Total \$000
Total Appropriation	103,401	13,159	116,560
Revenue from the Crown	54,509	20,159	74,668
Revenue from Others	48,892	(5,411)	43,481

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

	2020/21		
	Estimates Standard	Supplementary Estimates Standard	Total Standard
Assessment of Performance			
Minimum percentage of commercial customers satisfied or very satisfied with the overall quality of Customs' service delivery (as measured by Customs' stakeholder survey)	85%	Measure removed	-
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)	85%	Measure removed	-

### *Reasons for Change in Appropriation*

This appropriation increased by \$13.159 million to \$116.560 million for 2020/21 due to:

- an increase of \$13.571 million through a fiscally neutral transfer between departmental appropriations to reflect the redeployment of existing Customs staff who were required to perform new or varied tasks in response to the COVID-19 pandemic; and through the application of a more accurate methodology for the allocation of costs between departmental appropriations, and
- an increase of \$753,000 through a series of expense transfers from 2019/20 to ensure that sufficient funding existed to continue work on the following projects:
  - the Secure Trade Lane initiative (\$434,000)
  - the Enhanced Intelligence Tool initiative (\$214,000), and
  - the Strategic Disruption of Drug Networks initiative(\$105,000).

The increase is partially offset by:

- a decrease of \$727,000 through a series of transfers to 2021/22 to ensure that sufficient funding exists next year to continue the following projects:
  - the Enhanced Intelligence Tools initiative (\$405,000)
  - the Border Cash Reporting initiative (\$200,000), and
  - Disrupting and dismantling the supply of methamphetamine in to New Zealand (\$122,000)
- a decrease of \$389,000 through a reduction in the capital charge rate, and
- a decrease of \$49,000 through the transfer of capital charge funding associated with transfer of capital to the Ministry for Primary Industries.

### **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*

	2020/21		
	Estimates \$000	Supplementary Estimates \$000	Total \$000
Total Appropriation	39,495	2,239	41,734
Revenue from the Crown	30,043	2,889	32,932
Revenue from Others	9,452	(650)	8,802



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

Assessment of Performance	2020/21		
	Estimates Standard	Supplementary Estimates Standard	Total Standard
Minimum percentage of requesting agencies and assets providers satisfied with the National Maritime Coordination Centre's coordination of tasking	80%	Discontinued measure	-
Minimum percentage of clients satisfied with the coordination provided by the National Maritime Coordination Centre	Replacement measure	80%	80%

### *Reasons for Change in Appropriation*

This appropriation increased by \$2.239 to \$41.734 million for 2020/21 due to:

- an increase of \$2.718 million through a fiscally neutral transfer between departmental appropriations to reflect the redeployment of existing Customs staff who were required to perform new or varied tasks in response to the COVID-19 pandemic; and through the application of a more accurate methodology for the allocation of costs between departmental appropriations, and
- an increase of \$543,000 through a series of expense transfers from 2019/20 to ensure that sufficient funding existed to continue work on the following projects:
  - the Pacific Partnership Programme (\$300,000)
  - the Enhanced Intelligence Tools initiative (\$107,000)
  - the Combating the Sexual Exploitation of Children across our Cyber Border initiative (\$77,000)
  - Disrupting and dismantling the supply of methamphetamine in to New Zealand (\$31,000), and
  - the Strategic Disruption of Drug Networks initiative (\$28,000).

The increase is partially offset by:

- a decrease of \$650,000 through a transfer to 2021/22 to ensure that sufficient funding exists next year to continue work performed by the Pacific Partnership Programme, and
- a decrease of \$372,000 through a reduction in the capital charge rate.

## 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

	2020/21		
	Estimates \$000	Supplementary Estimates \$000	Total \$000
Total Appropriation	84,179	(18,040)	66,139
Revenue from the Crown	1,248	1,949	3,197
Revenue from Others	76,234	(94,705)	(18,471)

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

	2020/21		
	Estimates Standard	Supplementary Estimates Standard	Total Standard
Assessment of Performance			
Minimum percentage of arriving international air passengers who exit Customs primary processing points within 45 minutes of arrival	90%	Removed measure	-
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	98%	Discontinued measure	-
Minimum percentage of arriving international air passengers and crew (estimated 150,000-250,000 passengers and crew) who are deemed compliant based on risk assessment and facilitated without further intervention	Replacement measure	98%	98%
Minimum number of random interventions of travellers conducted (under Customs' Assurance programme)	2,000	Removed measure	-
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%	Removed measure	-
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%	Discontinued measure	-
Percentage of small marine craft arriving (estimated 150-250 small craft) whose master of vessel reported to a customs officer upon first arrival in a New Zealand port	Replacement measure	100%	100%
Percentage of arriving commercial marine craft (including cruise ships) showing high risk or requiring administrative process (estimated 400-500 commercial craft) that are boarded while in a New Zealand port	100%	Discontinued measure	-

Assessment of Performance	2020/21		
	Estimates Standard	Supplementary Estimates Standard	Total Standard
Percentage of arriving commercial marine craft assessed as high risk or requiring administrative process (estimated 400-500 commercial craft) that are subject to planned interaction while in a New Zealand port (see Note 1)	Replacement measure	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	5%	Removed measure	-

Note 1 - Planned interaction will be required for all craft showing a high (Priority 1) risk, craft visiting New Zealand for the first time, craft where information is incomplete, and craft where a visit is needed to complete an administrative process (such as immigration or bonding ship stores).

### *Reasons for Change in Appropriation*

This appropriation decreased by \$18.040 million to \$66.139 million for 2020/21 due to:

- a decrease of \$19.989 million through a fiscally neutral transfer between departmental appropriations to reflect the redeployment of existing Customs staff who were required to perform new or varied tasks (including the performance of tasks at the maritime border) in response to the COVID-19 pandemic; and through the application of a more accurate methodology for the allocation of costs between departmental appropriations, and
- a decrease of \$9,000 through a transfer to 2021/22 to ensure that sufficient funding exists next year to continue work on a project that aims to disrupting and dismantling the supply of methamphetamine into New Zealand.

The decrease is partially offset by:

- an increase of \$1.800 million due to the receipt of capital charge funding to support capital funding received by Customs due to the loss of Border Clearance Levy revenue, and
- an increase of \$158,000 through a series of expense transfers from 2019/20 to ensure that sufficient funding existed to continue work on the following projects:
  - the Enhanced Intelligence Tools initiative (\$85,000), and
  - the Strategic Disruption of Drug Networks initiative (\$73,000).

*Memorandum Account*

	2020/21		
	Estimates \$000	Supplementary Estimates \$000	Total \$000
<b>Border Clearance Levy Memorandum Account</b>			
Opening Balance at 1 July	(6,335)	(14,106)	(20,441)
Revenue	76,234	(74,926)	1,308
Expenses	(82,931)	15,064	(67,867)
Transfers and Adjustments	-	87,000	87,000
Closing Balance at 30 June	(13,032)	13,032	-

## 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*

	2020/21		
	Estimates \$000	Supplementary Estimates \$000	Total \$000
Forests/Agricultural	-	-	-
Land	-	-	-
Property, Plant and Equipment	9,539	-	9,539
Intangibles	17,664	-	17,664
Other	-	-	-
<b>Total Appropriation</b>	<b>27,203</b>	<b>-</b>	<b>27,203</b>

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

##### **New Zealand Customs Service**

Details of Net Asset Schedule	2020/21 Main Estimates Projections \$000	2020/21 Supplementary Estimates Projections \$000	Explanation of Projected Movements in 2020/21
Opening Balance	145,796	161,689	Supplementary Estimates opening balance reflects the audited results as at 30 June 2020.
Capital Injections	786	58,797	There is an increase of \$57.011 million to address cashflow issues in response of COVID-19 related to reduction in third party revenue and an increase of \$1 million to support the implementation of the Maritime Border Order.
Capital Withdrawals	-	(530)	There is a decrease of \$530,000 due to the transfer of funding to Ministry for Primary Industries to support their involvement in a joint risk and intelligence work programme.
Surplus to be Retained (Deficit Incurred)	(6,697)	(79,824)	
Other Movements	-	-	
<b>Closing Balance</b>	<b>139,885</b>	<b>140,132</b>	

## Part 3 - Details of Non-Departmental Appropriations

### 3.4 - Non-Departmental Other Expenses

#### Change in Doubtful Debt Provision (M21) (A3)

##### *Scope of Appropriation*

Provisioning of Doubtful Debts on Customs Crown Revenue.
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##### *Expenses*

	2020/21		
	Estimates \$000	Supplementary Estimates \$000	Total \$000
Total Appropriation	8,000	16,000	24,000

##### *Reasons for Change in Appropriation*

This appropriation increased by \$16 million to \$24 million due to the impacts related to COVID-19 on businesses and their ability to settle amounts due for the payment of duty and GST.