

PART FOUR

Building capability



Building capability

We need to ensure we have the right capability to meet the challenges of today and the future and achieve our outcomes. Our capability focus this year has been on further developing our people and on enhancing our processes and technology.

The community's confidence in their dealings with Inland Revenue have a significant impact on how successful we are as an organisation. This confidence is enhanced by:

- skilled people with excellent relationship and delivery skills who are knowledgeable about community and business needs
- robust and flexible technology
- operating a highly efficient administration.



Commissioner David Butler presents Peter Taylor, Team Manager Corporate Human Resources, with his award

2003 Inland Revenue Award

Peter Taylor, Team Manager (Capability) Corporate Human Resources received the 2003 Inland Revenue Award. The awards were established in 2002 to provide financial support to managers and team leaders wishing to pursue learning and development opportunities outside the scope of normal budgets.

Peter used the award to attend the world-leading programme on Human Resources strategy and development at Michigan University in March 2004.

“As well as being personally beneficial, this development assisted me in meeting the department’s leadership expectations, especially ‘raising the bar’,” says Peter.

Inland Revenue aims to make one, possibly two awards each year.

Capable people and leaders

We have three areas of focus for our people—leadership development, relationship development, and people capability.

Under each area we have development priorities to support our strategic direction and to meet the expectations of government, the community, our customers and ourselves. They also further our commitment to being a professional, approachable, effective and efficient organisation.

Leadership development

Our leadership framework ensures we are looking after our own leaders but it also enables us to develop future leaders for the public sector. We believe we have a responsibility and commitment to managing our leadership talent not only for our own needs but for the benefit of the public service as a whole. Our leadership framework includes:

- **Team leader development programme**

The team leader component of our leadership framework was introduced in 2002–03, with over 80% of team leaders having completed the programme by June 2004. The programme aims

to create a common understanding of our leadership expectations as well as consistent use of management practices and language across Inland Revenue.

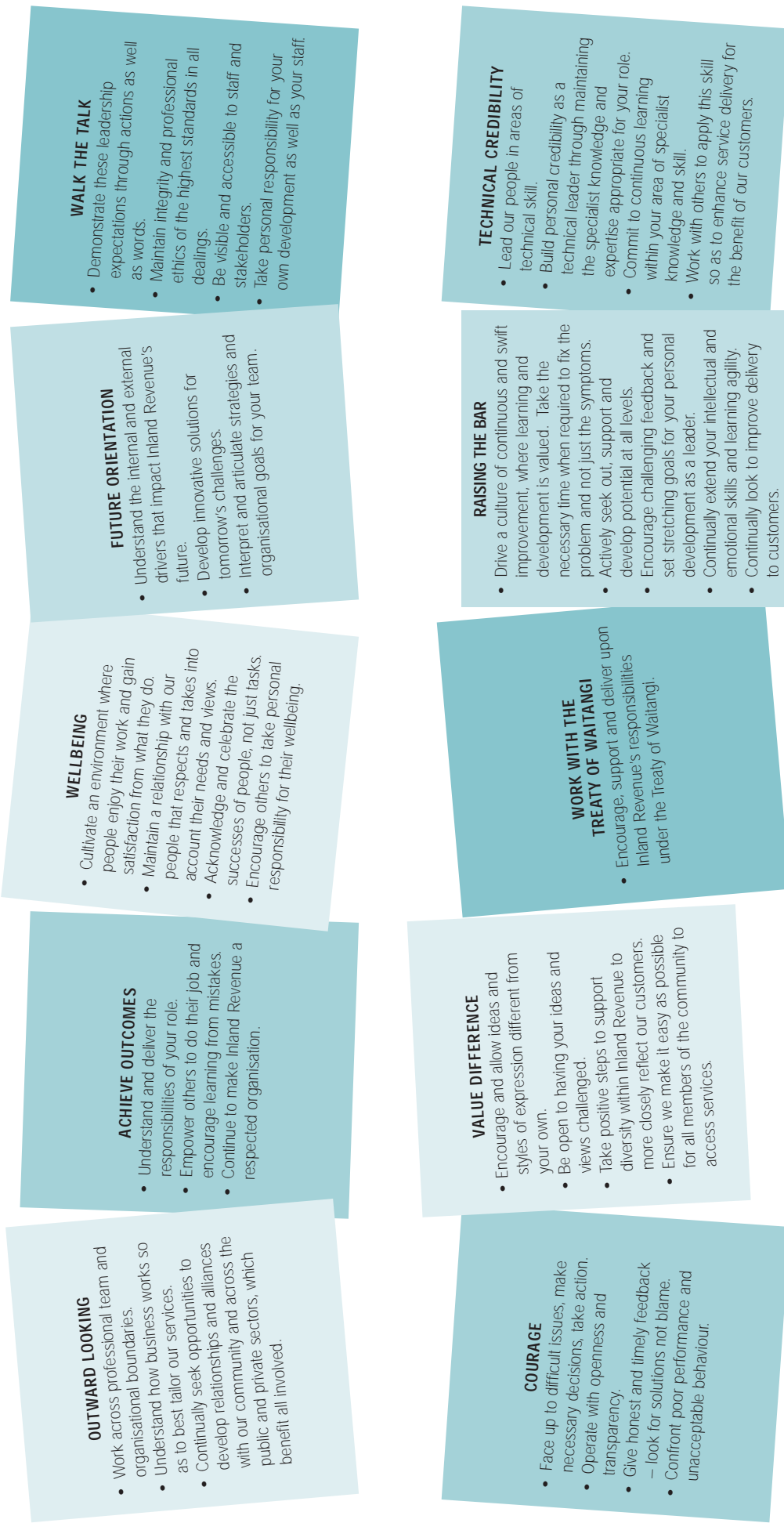
- **Leadership in Inland Revenue**

Our equivalent programme for managers—leadership in Inland Revenue—began in 2003–04. The programme consists of a core module where all managers attend a five-day workshop on our leadership expectations, the training needs of individual managers, and the development of a personal development plan. Following on from this is a range of development options, designed for managers to choose further development depending on their individual needs.

- **A clear set of leadership expectations**

Our leadership expectations have been incorporated into job expectations and our performance management system.

Figure 31 –
Our leadership expectations



Relationship development

The relationships with our employees and their representative groups are crucial to the achievement of our outcomes.

Climate survey

One of the key ways we measure our relationship with our employees is through a climate survey. Our third annual climate survey measured progress on:

- the values supporting our *Charter*
- commitment to our strategic direction

as well as examining our work environment.

We achieved a response rate of 81%, an increase of 23% on our first survey in 2001. This reflects our management of this process. It also shows the willingness of people to contribute to improving the way we work and the increasing confidence of people regarding their relationship with Inland Revenue.

The percentage of people who support our strategic direction remains consistently high at 59%, compared to a benchmark of New Zealand private and public sector organisations of 43%.

Pride and confidence in Inland Revenue as an employer has continued to steadily increase with people being 4% more positive than they were in 2002 and 10% more positive than 2001. This reflects an increasing confidence that contributions are recognised and rewarded, and that Inland Revenue has an interest and respect for those who choose to work here.

A significant improvement in the learning culture reflects the importance Inland Revenue places on continual learning and development, and the impact of this on the quality of service to the community. Activities have included a range of development or training initiatives including: leadership development, the compliance model, new qualifications, modern apprenticeships and wellbeing.

The survey has continued to confirm our priorities, and has identified performance management and leadership as areas for continued improvement.

Relationships with the unions that represent our people

Nearly 70% of our staff are members of one of the two major unions that offer collective representation within Inland Revenue.

In April 2004 Inland Revenue and the Public Service Association (PSA) successfully concluded negotiations for a new two-year collective agreement covering nearly 2,700 staff. These negotiations were also conducted in a very positive and constructive way consistent with our established Relationship Agreement. In settling the new collective agreement, it was pleasing to be able to recognise and acknowledge the benefits that continue to arise for Inland Revenue and PSA members as a result of their collective participation (through the PSA) in a wide range of organisational initiatives and projects.

It was also pleasing to recognise the strength of the Inland Revenue–PSA relationship in the new “Partnership Agreement” that was developed in the later part of this year. The purpose of this Agreement (which is consistent with the Partnership for Quality Agreement between the PSA and the government) is to formally outline the nature of our relationship and to provide a framework for working together. The Agreement recognised our common interests, confirms our commitment to interacting with each other with openness and integrity, while also acknowledging our independence as separate organisations with distinct and sometimes different aims.

In October 2003, Inland Revenue and Taxpro successfully negotiated a new two-year collective agreement for their 750 plus members. We continue to have a strong relationship with Taxpro and this was reflected in the constructive and positive approach adopted by both parties in our negotiations and the subsequent review and renewal of Inland Revenue–Taxpro Relationship Heads of Agreement.

Healthy and safe workplace

We are committed to providing a safe working environment for our people. During the year, our injury rate declined slightly, with a small number of strain and sprain injuries reported. We have a range of proactive measures to help prevent injuries, including individual workplace assessments, access to occupational therapists, and reporting systems to help identify and tackle potential injuries. Information has also been provided on identification and prevention of stress as a workplace hazard.

During the year the online harassment prevention tool was rolled out to team leaders and managers across the organisation. This self-paced package was part of an awareness and education programme designed to encourage positive behaviour in the workplace.

We have renewed our secondary level status with the Accident Compensation Corporation's workplace safety management practices programme. We are also continuing our work with our Health and Safety Committees. These are involved in the preparation for the workplace safety management audits, as well as assisting management to identify potential workplace hazards. In 2004–05, all committee members will receive two days training to meet the requirements of the health legislation.

On average our people take 7.8²¹ sick days per year, a similar level to the public sector benchmark. As part of maintaining a healthy workplace, staff are offered flu vaccinations and three-yearly eye checks.

One major joint Inland Revenue–PSA–Taxpro initiative is the sickness absence working party. This will consider a range of issues around sickness absence, with a view to understanding the many underlying causes of sickness absence, and then develop the best approach to managing these.

Code of Conduct

Our *Code of Conduct* explains the expectations we have of our people so that we meet our statutory obligations relating to confidentiality and secrecy of taxpayer information as set out in the Tax Administration Act. Our Code also sets out the standards of integrity and behaviour required of Inland Revenue staff. It builds on the minimum requirements established by the State Sector Act and other public sector legislation and the requirements of public service employers and employees set out in the State Services Commission's *Public Service Code of Conduct*.

Our new staff receive the *Code of Conduct* when they join Inland Revenue. As part of their induction process they confirm that they have received and read the Code, and understand the potentially significant consequences of any breaches. We also have an educational process to ensure that our people remain aware of the Code.

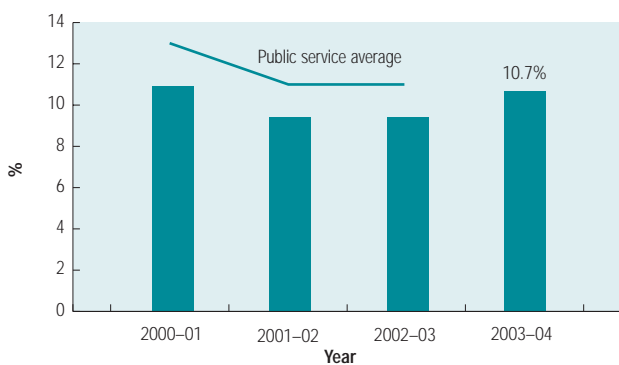
²¹ Based on number of sick days divided by number of full-time equivalent staff.

Attracting, motivating and retaining good people

We have a performance-based remuneration system which is designed to attract, motivate and retain skilled people.

A significant achievement over the last two years, has been the move to an annual review of our salary ranges with reference to the salary rates primarily paid by other public sector organisations. This is an important contributor to the achievement of our outcomes as it influences our ability to recruit and retain the people we need to achieve our desired future.

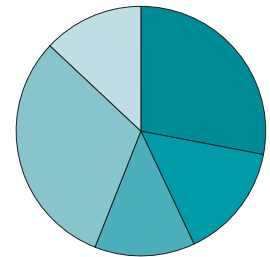
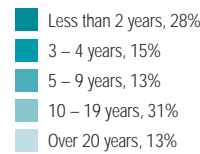
Figure 32 – Inland Revenue staff turnover



Our turnover has remained steady over the past four years, with higher turnover in Auckland and Wellington, reflecting the competitive labour markets in these centres. Although some areas of Inland Revenue experience very low turnover, for example Policy Advice (2%), Processing (5%) and Information Technology (3%), other areas show higher turnover, such as Call Centres (29%), Strategic Design (17%) and Child Support (16%). Much of these turnover levels are expected, for example, the skills of staff in our call centres are in demand both in and outside of the department.

Our average length of service is 10.3 years, which allows us to benefit from staff expertise and institutional knowledge. Like our turnover figures, this varies across the department. Call centres have an average length of service of 3.8 years, compared to our field delivery group that has an average length of service of 12.9 years.

Figure 33 – Length of service



Previously, we have offered a superannuation scheme to all new employees. With the announcement of the new superannuation scheme for public servants, we have now closed off the Inland Revenue scheme to new entrants and supported the transition of members to the new scheme. At 1 July, 520 of the 1,350 Inland Revenue scheme members have elected to transfer.

People capability

We have 4,713²² employees based in 22 sites in 17 different towns and cities. Our employee numbers have risen by 1.7% (77 people) on last year with the largest increase being in our Service Delivery business group, with increases in:

- Call Management, to meet demand
- Child Support, to increase community liaison work and enable a more substantial investment in our multi-year debt reduction strategy. This increase was a result of extra money received in the 2003 Budget.

Additionally, as mentioned earlier, our Corporates group received \$3.7 million in the 2003 Budget to further strengthen its capability, including the appointment of staff with expertise in areas such as mergers and acquisitions, international tax and finance.

²² Full-time equivalent.



Judge for Yourself course facilitator Glen McCloy (seated), Team Leader, Wellington Call Centre with Chris Linton, Manager (Integrity Assurance) Risk and Assurance, who tailored the course for Inland Revenue

Integrity training programme wins ethics award

In 2003 we introduced programmes for all staff designed to promote awareness and understanding of the importance of ethics, integrity and honesty in our workplace.

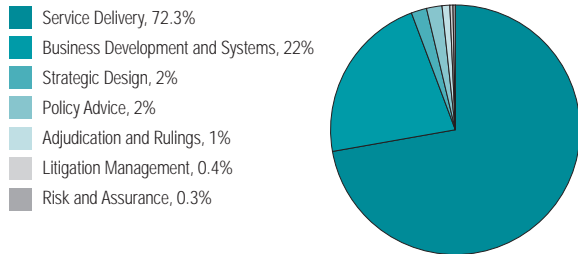
This training covers practical aspects of the standard of integrity that is expected of our people. The team that tailored and delivered this package to Inland Revenue were recognised through receiving the 2004 State Services Commissioner's Award for Ethics, Values and Standards.

The award, now in its second year, was created by former State Services Commissioner Michael Wintringham to recognise individuals and groups who make significant contributions to the ethics, values, and standards of the New Zealand public service.

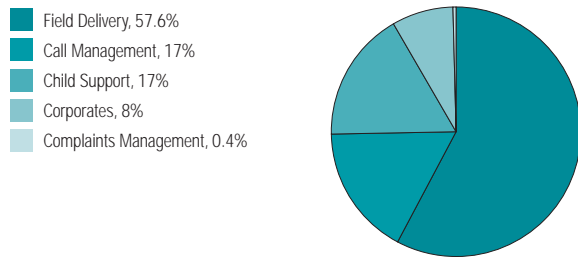
The award recognised the work of Chris Linton, Manager (Integrity Assurance) Risk and Assurance, who developed and implemented the *Judge for Yourself* training, as well as the facilitators who deliver the programme. Each was presented with a certificate of recognition from the State Services Commission.

Over 4,000 staff have undertaken the training.

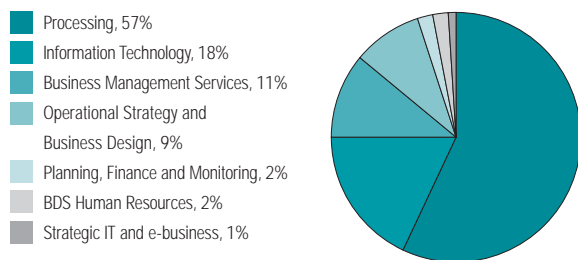
**Figure 34 –
Inland Revenue employee distribution
by business unit²³**



**Figure 35 –
Service Delivery employee numbers: 3,375**



**Figure 36 –
Business Development and Systems (BDS)
employee numbers: 1,048**



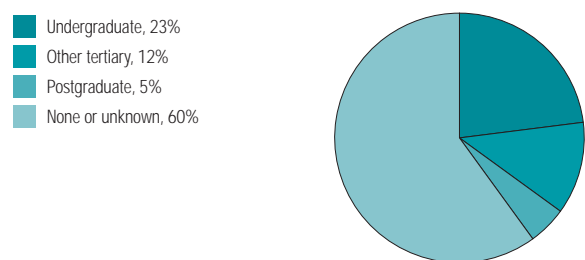
Improving our technical skills

As we are moving to more tailored services and tackling the harder end of non-compliance, the nature of our work is becoming more complex. This requires staff to have a wider range of skills and continually improve and update their technical skills.

Our qualifications framework outlines how we manage our overall investment in qualifications. As part of this framework we are improving the access of staff and managers to quality information on the types of qualifications available, as well as identifying appropriate qualifications to meet their needs.

We also continue to promote ongoing training and professional membership. We are the third largest employer of Institute of Chartered Accountants of New Zealand (ICANZ) members, with 270 professionally qualified staff having membership. We are also an ICANZ Approved Training Organisation for accounting graduates.

**Figure 37 –
Qualifications**



²³ These figures represent the distribution of employees at 30 June 2004. On 29 July 2004 our new structure was announced and will be progressively implemented over the 2004–05 year, see Figure 1.

The most common undergraduate degree is in accountancy, followed by social science and law and management. We are continuing to invest in attracting qualified staff. For example, in 2003–04, over 80% of external recruits to investigator, advisor, and senior positions in the Corporates group, had one or more undergraduate degrees. We are also promoting further training with over 150 of our investigation staff studying towards gaining a qualification or professional membership.

Although for 60% of our staff, either their records do not show a qualification or they do not have a tertiary qualification, this represents the diversity of the work opportunities at Inland Revenue. Not surprisingly our technical, policy and corporates areas have many highly qualified staff, while in other areas such as our large processing areas there is less need for such a level of qualifications.

Our training framework encourages development in areas such as interpretation of legislation and policies. To assist staff to complete the National Certificate in Administration of Revenue Law, we introduced the *Headstart* programme in 2002–03. This programme allows completion of the certificate within 12 months instead of two to three years. So far, 61 people have started the programme, with 30 people having completed it.

Feedback on *Headstart* has been very positive. Managers find it has improved on-the-job performance with staff feeling more confident and better able to tackle the more complex tax technical and social assistance work.



Alexia Bensemann, a Timaru Returns and Debt Collection officer, is our first person to gain a national qualification from the Modern Apprenticeship Scheme

Modern Apprenticeship Scheme

The Modern Apprenticeship Scheme began in 2000 and gives the chance for people aged 16 to 21 to work towards employment-related qualifications while working. After two-and-a-half years of study Alexia earned the National Certificate in Revenue Law–Level 4 (Introduction).

“The qualification has enhanced my understanding on how the whole government system works and the importance of things such as security, the rights of the public and the relationship between the public and private sectors,” says Alexia.

Alexia undertook unit standards and made use of **aspire** (Acquisition of Skills Programme for Inland Revenue Employees).

aspire helps our people to develop technical skills and knowledge and ensures they can use the skills acquired in their job. The personal needs of those taking part are assessed and learning plans and packages are put in place to help them reach their desired tax technical levels. We have 66 **aspire** training products, with nine new products being added in 2003–04. This year, over 3,300 staff completed over 3,900 days of tax and social policy training using these products.

“The programme was not only rewarding, it was a great experience. It enhanced and challenged my knowledge and capabilities and I knew at the end I would have a nationally recognised qualification.” says Alexia.

We are also focusing on the best means of delivering developmental opportunities for our people. Our e-learning programme is one approach. We are close to completing this strategy, which will describe both our approach to e-learning and the opportunities it will provide for us.

In developing this strategy, we are ensuring both the quality and the reusability of the qualifications contained, as well as the technical requirements for delivering courses. Our e-learning strategy will, where appropriate, enable training to be delivered through our people’s computers, and provide both one-way and interactive training. The range of training we are considering delivering in this way includes technical modules, induction training, ethics, health and safety and call centre training. The individual products will be rolled out over the next year.

Work has started on a new training programme for investigators joining our audit teams. The programme is an integral part of the wider Audit Strategy which is emphasising the use of intelligence and a range of audit responses to improve long-term compliance.

Technical competencies

The technical and social policy competency of our service delivery staff is measured every six months. This provides us with a measure of our technical capability and any changes to that capability. In addition, it enables us to tailor and target training.

For the year ending 30 June 2004, the average technical competency for staff increased by 12 percentage points with an 18% increase in staff in the upper competency band (>60%).

All staff have core competencies that cover areas such as customer focus and analysis and decision making. This year we maintained our core competency levels.

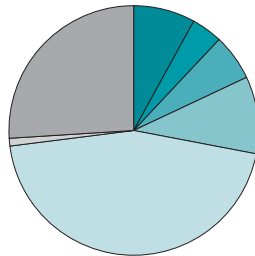
Equal Employment Opportunities (EEO)

We have an established EEO programme and diversity strategy that recognises and values the diversity of our people. The Valuing Diversity Strategy will help us develop our people, so that they are able to contribute to the department's strategic direction and capability outcomes.



Figure 38 – EEO statistics as at 30 June 2004

■	Māori, 8%
■	Pacific Island, 4%
■	Asian, 6%
■	European, 10%
■	NZ European/Pakeha, 45%
■	Other, 1%
■	Unknown, 26%



Women	65%
Women team leaders	64%
Women managers	39%
Disabled people	3%

We also have strategies for dealing with specific communities, such as the disabled and senior citizens. During the year, we made progress in implementing a number of initiatives that addressed the needs of these particular communities, including the introduction of legislative changes for specified superannuation contribution withholding tax, reviewing the format of our website to improve its access for disabled people and planning for the introduction of New Zealand sign language requirements.

As part of our ongoing work, we regularly review our building access requirements to ensure that our buildings meet the requirements for disabled people.

Strengthening our technology base

In October 2002, Inland Revenue delivered a Technology Strategy which described the technology roadmap for the next five years. This strategy describes a major change to the way in which technology will support the organisation and ultimately the way in which our people will work. Of the 32 initiatives recommended in this document, six have been completed and seven have been initiated.

The Information Systems Strategic Plan (ISSP), a product of the Technology Strategy roadmap, ensures that our technology direction links with the business plan. The vision for the ISSP is to “have a robust and flexible technology platform to enable us to deliver quality tax and social policy services to our customers, government and other key stakeholders.” The ISSP documents the actual projects, costs and milestones that we will embark upon over the next three years (2003–06), to deliver our strategic goals. It also captures all other technology projects that have been planned or initiated, to provide a single point of visibility for projects that will impact our future operation.

These technology projects include imaging, electronic document storage and retrieval and case management. These projects are all key parts of improving customer service levels. They provide access to customer information such as statements and letters at the time a customer makes an enquiry. By having this information available online, our goal is to resolve many of our customer questions and issues at the time they are raised, rather than having to wait for their data to be retrieved from a manual archive, analysed and the customer called back.

We are also looking to enhance customer service by providing taxpayers with immediate access to their own information, by providing the facility for taxpayers to view copies of the documents we have sent them through our online services.

In 2003 we began an assessment of our mainframe services and concluded that greater capacity was required to meet our increasing workload. As a result of the review, a new agreement was made with EDS New Zealand to purchase two mainframes with supporting software, tapes and disks. EDS will

continue to support the mainframe by providing facilities management services.

A review is also under way on our future telecommunications requirements to enhance call answering services. We expect the results of this review to be implemented in 2005.

Benchmarking

During 2003–04, we conducted our second international study to benchmark the use of technology and its impacts on Inland Revenue. Twenty-one international and ten US state tax authorities were involved and the study focused on six areas—organisational profile, tax audit, call centres, transaction volumes, payment processing and information technology. The study provides useful comparisons between tax administrations and significantly assists our business decision making.

Through this benchmarking we know that by international standards we operate a highly efficient tax administration.

In New Zealand, it costs \$73 per taxpayer to operate the tax administration against an international (excludes US states) average of \$128 per taxpayer.

New Zealand spends an average of \$0.87 for every \$100 of tax collected, compared to the international (again excluding the US States) average of \$1.22.

New Zealand's costs include social support programme activities, unlike most other tax administrations.

The benchmarking also shows we have a highly educated, stable technology workforce and that we service our customers well, with efficient use of hardware processing power and storage. Our technology inventory and technological performance also compares well with other international tax agencies.

Internationally, e-business is starting to play a key role. On average, 24% of international tax agency taxpayers use an e-business channel compared to 23%²⁴ of our taxpayers. We expect New Zealand's result to increase during the year with more e-services becoming available.

²⁴ At the time of the study.

Financial capability

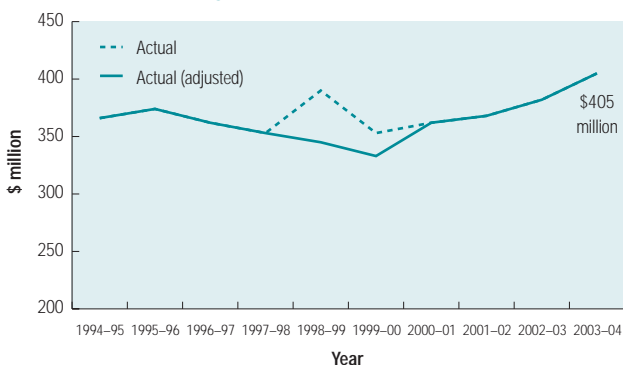
In 2003–04, the department’s baseline increased by \$21.725 million to \$407.544 million (GST-exclusive).

This net increase included additional funding to:

- target aggressive tax planning by large corporates and high wealth individuals
- the child support scheme, including funding to reduce child support debt.

Additional funding was also provided for remuneration and reply-paid envelopes for small businesses. In 2003–04, our actual expenditure totalled \$404.617 million.

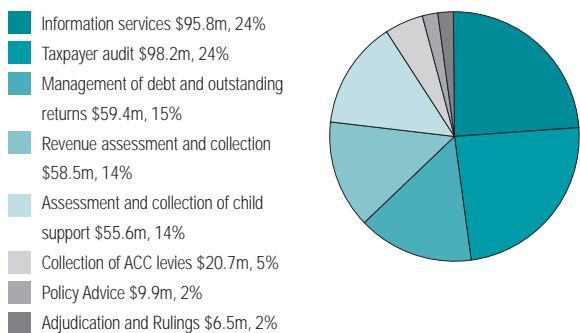
Figure 39 – Actual departmental expenditure over the last 10 years



Note: The dotted line represents funding received for restructuring costs

The department is appropriated under eight output classes. All eight of these output classes came within appropriation in 2003–04. The output class appropriation composition is shown in the following chart.

Figure 40 – Output class expenditure in 2003–04



Personnel expenditure continues to be our major expenditure area, accounting for 61% of our total expenditure. Operating expenditure (30%) is the next largest expenditure category followed by depreciation (7%) and capital charge (2%).

Consultants and contractors

Included in our operating expenditure is \$10.067 million (2.5%) for consultants and contractors. The department engages consultants and contractors to complement internal resources and provide specialist short-term advice on specific projects and new initiatives. Further details about Inland Revenue’s 2003–04 expenditure on consultants and contractors are provided in *Additional information* (Table 9).

Finance strategy

We are currently developing a long-term finance strategy that will enable us to identify and respond to financial pressures foreseen over the next six years and beyond. The work includes developing a long term financial planning process that is integrated with the overall strategic and annual planning processes. The strategy will focus on evaluating and enhancing the organisation’s financial management capability, and on improving processes for assessing future strategic options and scenarios.

Funding for 2004–05

For 2004–05 the department’s baseline will increase by \$25.172 million to \$432.716 million (GST-exclusive). This net increase includes funding for building future capability, enhancements to the administration of child support, and maintaining and improving taxpayer compliance. In addition, the department has received funding to implement government initiatives such as *Working for Families*, changes to paid parental leave and initiatives targeted to reducing compliance costs for small and medium enterprises.

Sustainability

Managing resources in a sustainable way is important for Inland Revenue. We already have good systems in place around our people and finances, and we are now placing more emphasis on how we use non-renewable resources, and how we interact with our environment.

Examples of our initiatives include:

- Inland Revenue has an agreement with the Energy Efficiency and Conservation Authority (EECA) under the Energy Wise Government Programme. This aims to improve energy efficiency across the core public sector by 15% in the five-year period to 2005.
- We participate in the “Emprove” self-assessment process with EECA. Two initiatives from this have been:
 - more transparent performance reporting (complete), and
 - better energy load management (under way).
- Our performance reporting has been enhanced this year with the ability to monitor our daily electricity usage at most of our large sites, through online access supplied through our network provider. This more thorough monitoring has enabled us to investigate any usage anomalies and provides us with the opportunity to measure the impact of various conservation initiatives.
- We routinely carry out building audits, which include energy audits, on premises before entering into rental agreements, or on an ad hoc basis when data reveals a usage anomaly. Four audits were conducted in the 2003–04 year.

